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ABSTRACT

A study examined impact of the adult and community education (ACE) Amendment to the Goods and Services Tax (GST) on Australian adult and continuing education (ACE) providers. Telephone interviews were held with representatives of 232 ACE organizations. Most were small businesses; almost half had less than $100,000 annual revenue; two-thirds had less than 500 enrollments. Findings indicated almost half the organizations expected no change to annual turnover, while about equal proportions expected the GST to increase or decrease it; 6 of 10 applied little or no GST to their courses; the annual amount of GST collected on courses was $5,926 per ACE organization, while the equivalent figure for input tax credits was $17,252; 84 percent changed accounting systems and 30 percent changed enrollment systems; GST-related staff training and software upgrading were predominant changes; 90 percent claimed accounting systems and 79 percent enrollment systems were coping with GST reporting requirements; 46 percent reported other problems, including impact on time and workload, impact on cash flow, issues around course classification, reduction in voluntary assistance, and staff turnover; and current attitudes were strongly against GST. Key issues were confusion over the complexity, concern over cash flow, resentment, increased stress levels, and resignation to the GST. (Appendixes include interview schedules and cross-tabulations.) (YLB)

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Accounting for change

Adult and community education organisations and the GST

Dr Sue Gelade
Dr Roger Harris
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ADULT LEARNING AUSTRALIA

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Executive summary

Introduction of the New Tax System from July 2000 has caused adult and community education (ACE) organisations, like other businesses, to adapt their business and management systems. ACE organisations have also had to adapt their enrolment systems to comply with the ACE Amendment to the Goods and Services Tax (GST) legislation and the Australian Taxation Office's ACE Ruling that interpreted the amendment. The Tertiary Ruling of January 2001, and that some ACE organisations have other functions apart from education (for example, welfare), have added levels of complexity. Given these difficulties in implementation of the GST, concerns expressed over its interpretation and lack of data on its impact on ACE, Adult Learning Australia commissioned this research project.

This study focused on (a) providers' accounting and enrolment systems in place at the time of GST implementation, (b) changes introduced by providers to meet the requirements of the GST, (c) costs relating to GST collection, and (d) continuing needs arising from the GST implementation. It collected data in June 2001 from a sample of 232 ACE organisations proportionally drawn from an estimated population of 1000. Questions were mailed to organisations and then a telephone interviews were held with representatives of those organisations.

The report first provides an overview of the organisations. The majority are small businesses, with almost half in this sample having less than $100 000 annual turnover and two-thirds having less than 500 student enrolments. Twelve (5%) had not registered for the GST and 44 (19%) had not obtained Income Tax Exempt Charity status. Eighty-nine percent of the organisations had a computerised accounting system and two-thirds a computerised enrolment system in place at the time of the survey. Fifty-six percent use cash accounting and 36 percent use accrual accounting for GST purposes. A mean of 40 percent of their courses was deemed to be 'vocational'.

Against this background, the study then examined the impact of the introduction of the GST. Almost half expected no change to their annual turnover, while approximately equal proportions expected the GST either to increase or decrease it. They reported that they applied the GST to a mean of 26 percent of their courses. An important finding was that six out of ten of the ACE organisations were applying little (15%) or no (44%) GST to their courses. The way in which they determined whether to apply the GST suggested that criteria are not in all cases being applied accurately or consistently. What can be concluded is that 40 percent use the ACE Ruling and 34 percent their ITEC status as their main criteria.

The annual amount of GST collected overall is the equivalent of $35 292 per ACE organisation ($35.3 million over the 1000 ACE organisations). The equivalent figure for GST collected on courses is $5926 per organisation ($5.9 million over 1000 organisations), while the equivalent figure for input tax credits is $17 252 per organisation ($17.3 million over 1000 organisations). Three-quarters of the organisations have opted for a quarterly and one-fifth for a monthly tax period, and claim that the mean time taken to prepare a Business Activity Statement is 6.0 hours for a quarterly and 4.8 hours for a monthly return. The report estimates that ACE organisations spend around $772 680 in staff time in preparing BAS.

Other organisational responses to the GST were that 84 percent changed their accounting systems and 30 percent changed their enrolment systems. In both cases, the two predominant changes were GST-related staff training and software upgrading. Other changes included alterations to course descriptions to be more vocational, shifts in program mix towards more vocational than leisure, requesting students to bring their own materials, and cutting courses.

By the time of interviews, 90 percent of the ACE organisations claimed that their accounting systems and 79 percent that their enrolment systems were now coping with GST reporting requirements. What was still required in the instance of those reporting continuing difficulties were better software, more staff training and more time. While most of these organisations judged that they had the capacity in full or in part to resource these needs, still one-quarter of these organisations gauged that they were not in such a position.

Apart from accounting and enrolment systems, 46 percent of the ACE organisations reported other problems they were experiencing as a result of GST implementation. These included impact on time and workload, impact on cash flow, issues around course

classification, reduction in voluntary assistance and staff turnover.

Current attitudes towards the GST were strongly against (over half of ACE organisations), with only 7 percent for it and 35 percent expressing a neutral opinion.

The report then summarises the key findings, themes and issues. Key themes and issues through the study include confusion over the complexity, concern over cashflow, resentment, increased stress levels, and resignation to the GST.

Although some providers appear to be coping well, others talked of the confusion that has surrounded their organisational responses to the GST. The official framework of various interpretations and rulings has made the situation very complex for the ACE sector. With few people in their organisations, and often these being volunteers, and with the level of complexity surrounding the options, the high level of uncertainty can easily lead to confusion that in turn can result in inaccurate decisions – in 'getting it wrong' – or at least in inconsistent decisions.

Concern about the GST is also manifest with cashflow matters. A considerable number of providers in the lower revenue categories have decided on an accrual accounting system – a situation that may be causing them cash flow problems. A significant number of those using cash accounting have also reported cash flow difficulties.

The research has found a high level of resentment about the GST and its impact on all personnel. The majority is against the GST and only a very small proportion is for it. Providers are especially resentful of the impact the GST is having on their students and on their volunteers. Just over one-fifth of the organisations believe that the annual turnover of their organisation will fall as a result of the GST.

The survey found increased levels of stress among staff and volunteers. Volunteers make up a large component of the ACE field and providers are concerned about the way in which their volunteer staff are either having to take more responsibility for 'getting it right' or being turned away from volunteering because of fears of not getting it right. The legal ramifications are causing, justifiably, some shying away from responsibility in this area. An additional concern is that both paid and unpaid staff are having to spend more time than previously on administration and paperwork, tasks that are directly related to the GST's implementation. It is a state of affairs that translates into both personal and economic costs for individuals and their organisations.

ACE providers across Australia rely heavily on volunteer services, and the data indicate that the GST has had a heavy impact upon these volunteers. With providers dealing with increasing levels of stress among both paid and volunteer staff, it is not surprising that a number of respondents mentioned problems they are encountering when trying to find people who were prepared to take over honorary duties as treasurers or book-keepers.

The providers are also resentful of being "unpaid tax collectors for the government". This is an especially crucial issue for institutions that are government-funded and are seeing the GST in terms of collecting, administering and handing back money. Such comments made by the respondents about their new tax collection duties were supported by the data regarding the amounts involved in the GST collection. It would seem from a cost-benefit analysis viewpoint that the introduction of the GST has been a large imposition on small organisations for little benefit to the government. Given these figures, it is little wonder that the majority of providers viewed their paperwork and administrative responsibilities for this tax as an unnecessary burden.

Another key theme, however, has been that of resignation to the new tax. Respondents are clearly aware that the GST is here to stay and have decided that they must learn to cope with it in whatever way they can. If this means more staff training, more technological aids or changing the focus of courses, then that is what they will attempt to do if they can find the resources to do it. Although a small number of providers were content merely to suggest the government "scrap[s] the GST", on the whole, providers are looking for ways and means by which they can learn to live with and account for the GST – whatever that cost may be.

One year down the track from the introduction of the New Tax System, both the 'hard' data on organisational finance as well as the 'soft' data on participant comment suggest that the impact has been considerable on this educational sector. Both these sets of data suggest the conclusion that, in accounting for change, the

considerable imposition on the ACE sector has resulted in relatively little financial gain to the government.

The report concludes with four recommendations.

1. *MCEETYA ACE Taskforce consider the possibility of maintaining accurate annual databases of funded ACE organisations.*
2. *Adult Learning Australia investigate means through which additional resources can be provided to assist ACE providers with GST compliance.*
3. *Adult Learning Australia investigate means by which case studies of administrative processes relating to the New Tax System could be developed for maintaining taxation records and preparing Business Activity Statements.*
4. *Adult Learning Australia investigate means by which further research could be conducted, using an intensive case study methodology, of several ACE providers from different localities and of different sizes to establish more precisely the 'costs' and 'benefits' of the GST.*

Background to the study

1

1.1 The context

The research issue

Adult and community education (ACE) organisations, like other businesses, have been required to adapt their business and management systems to comply with the requirements of the New Tax System from July 2000. In addition to that general requirement, ACE organisations have had to adapt their enrolment systems to comply with the ACE Amendment to the Goods and Services Tax (GST) legislation and the Australian Taxation Office's ACE Ruling which interpreted the amendment. The ACE Ruling effectively meant that every individual course needed to be judged against the Ruling, with the effect that some were GST-free and others GST-liable.

For some organisations, the Tertiary Ruling in regard to definitions of tertiary courses, released only on 17 January 2001, has added another layer of complexity. Of particular concern to providers who previously relied on the definition of a vocational course in the Student Assistance Act is paragraph 37 of the Ruling which states that:

> *... non-accredited units that form part of any course developed by you that comprises a combination of accredited and non-accredited units will be subject to GST on an apportioned basis. You will be required to use a reasonable basis to determine the portion of the course that is non-accredited and levy the GST on that component (www.ala.asn.au/gst.html, accessed 21 August 2001).*

Differentiating between vocational and non-vocational courses has been a continuing problematic issue for the ACE sector in Australia (McIntyre, Foley, Morris & Tennant 1995). The Senate Employment, Education and Training References Committee, for example, drew attention in its 1997 report to the "conceptual inadequacy which haunts present policy and funding mechanisms" that differentiate between education programs on the basis of their perceived or declared vocational orientation (Senate1997, p.3). Volkoff, Golding & Jenkin (1999), too, referred to what they called "unhelpful divisions between accredited vocational and other ACE programs" (p.58). While the difference between the two types of ACE programs has been officially defined as being based on curricula intent or expected vocational outcome (NCVER 2001, p.7), this categorisation does not take into consideration learner intent and thus the distinction between the two remains extremely problematic.

The complexity in the New Tax System is thus accentuated for the ACE sector by these rulings. While ACE providers appreciate that, like every other business, certain aspects of their operation are GST-liable, its application to and impact on courses add to the complexity for this sector. Moreover, some ACE organisations have other functions apart from education (for example, welfare) and this also contributes to the complexity.

Therefore, given these difficulties in implementation of the GST, the concerns expressed by many over its interpretation and the lack of data on its impact on the ACE sector, Adult Learning Australia, as the national peak body for adult and community education and adult learning in Australia, decided to commission research on this area. As part of its GST StartUp funding, Adult Learning Australia had undertaken to review existing systems (including software and management systems) and to report on the current situation and emerging needs. It therefore contracted the Centre for Research in Education, Equity and Work (CREEW) at the University of South Australia to undertake a research project into how the GST was being managed by ACE organisations.

The background

Debate over Australia's tax system and the desirability of introducing a value-added or consumption-based tax has continued from the mid-1980s. After the defeat of the Coalition's proposed GST at the 1993 election, the Leader of the Opposition John Howard stated that a GST would "never, ever" be proposed by the Coalition.

However, the debate over a GST was revived and became the key issue at the 1998 federal election. The Government proposed a New Tax System, including a GST, to gradually replace a swag of indirect taxes. Under the Government's proposals, education and health were to be GST-free.

There was, however, some concern within the adult and community education field and the education industry more broadly over the exact detail of the proposed changes and how a GST would impact on a wide range of educational and related services. A coalition of education organisations, including Adult Learning Australia's predecessor, the Australian Association of Adult and Community Education, wrote to the Prime Minister seeking clarification of a number of issues.

In the lead up to the1998 election, the Prime Minister replied to the coalition of education organisations (24 September 1998). He wrote, in part,

> *The importance of education and training to Australia's future has been a key consideration in the design of our tax reform program. As the numbers of private providers increase alongside public providers, we have been determined to put in place a tax system which places providers in both sectors in a comparable position. We have therefore decided that educational services will be GST-free in the terms stated in our Plan for a New Tax System.*

He went on to say in relation to Adult and Community Education (ACE) that "Courses which are preparatory to the educational courses which are GST-free are also GST-free".

In the period following the election, a Senate Inquiry on the GST was conducted. Adult Learning Australia appeared before the Committee and raised its concerns that many courses organised by ACE organisations would be liable to the tax. The Association's major concern was that adding a 10 percent tax on ACE courses would have a negative impact on many adult learners and would act as a disincentive to those adults who needed most encouragement to return to learning. The Association's submission was titled 'A toll booth on the pathway? Adult and Community Education and the GST'. The submission argued that:

- GST-free status should be extended to non-accredited courses in the adult and community education sector.
- Applying a GST to General Adult Education (non-accredited/non-vocational courses) contradicted the Government's stated commitment to lifelong learning and an undertaking "to imbue its education policies and associated funding mechanisms with the values and principles of lifelong learning for all Australians".
- The tax legislation would reinforce an educationally outdated and irrelevant distinction between 'vocational/accredited' and 'non-vocational/non-accredited' education and training, encourage 'credentialism' and underline the 'second-class' nature of 'non-vocational' courses.
- In particular, the addition of GST to such courses would undermine the widely researched, recognised and supported function of adult and community education as a major pathway – back to learning, and on to further education and training, or to work – for tens of thousands of adult learners each year. Course fees, although kept as low as possible, are already a barrier to many.
- If passed in its present form the legislation would create pressures for the wholesale accreditation of ACE General Education courses, and non-accredited VET courses. This would be costly, difficult and undesirable in principle – as it would entail making all such programs more 'vocationally acceptable', and would have the effect of drawing the ACE sector further into the 'regulated' formal education and training system.

The Association estimated that making ACE courses GST-free would benefit around half a million adult learners at a cost to potential revenue of less than $5 million.

Following the Senate's inquiry and the negotiations between the political parties during June 1999, a small number of final amendments were passed by both Houses of Parliament. One amendment related to adult and community education courses. It read:

"Clause 195-1, page 251 (after line 5), after the definition of adjustment period, insert:

> *adult and community education course means a course of study or instruction that is likely to add to the employment related skills of people undertaking the course and:*
>
> *(a) is of a kind determined by the Education minister to be an adult and community education course and is provided by, or on behalf of, a body:*
>
> *(i) that is a higher education institution; or*
>
> *(ii) that is recognised, by a State or Territory authority, as a provider of courses of a kind described in the determination; or*

(iii) that is funded by a State or Territory on the basis that it is a provider of courses of a kind described in the determination; or

(b) is determined by the Education Minister to be an adult and community education course."

Between the passage of the amendment and the introduction of the GST on 1 July 2000, discussions were held between various Commonwealth and State Departments, Adult Learning Australia and other organisations about how this amendment would be interpreted and applied.

The interpretation issued as the ACE Ruling by the Australian Taxation Office was not released to ACE organisations until 28 June 2000. By that time, course brochures and prices had been set and printed. ACE organisations were put in the position of having to anticipate how the amendment would be interpreted and make decisions on which courses would attract the tax and which would be GST-free without the benefit of the Ruling. Small not-for-profit ACE organisations that had never been required to make such assessments in the past and had largely been exempted from the sales tax system were now confronted by an extra layer of complexity.

The ACE ruling introduced other unfortunate educational considerations for adult and community education systems. ACE centre staff now had to assess each of their courses to see if they met the test of 'adding to the employment-related skills' of participants.

If a course was accredited, or was a literacy or numeracy course, or explicitly stated that its intention was to impart employment-related skills, then it was GST-free. But if it was identified as a hobby or recreational course, or concerned with delivering education on civic, environmental, political, social or cultural content, then it was to be taxed. Therefore, courses on reconciliation, history or philosophy, those specifically aimed at older people, and numerous others, had to be assessed using very narrow criteria on whether they added to 'employability'.

Even if students used a course to acquire or improve their employment skills, unless the course set that out as its intention, it had to be taxed. Neither the intention of the learner nor the actual benefits gained mattered. The stated purpose of the course instead dictated its tax status.

It was in this context that the GST was introduced to ACE.

ACE Ruling Summary

The ACE Ruling makes clear the ATO's view of what sort of courses are "likely to add to the employment related skills" of people undertaking the course. In brief, the course must have the intention of passing on employment-related skills. The objective measures of this are:

- Marketing: that the published information about the course indicates that the skills gained may be useful in work-related situations; the course outline must reflect what is advertised.
- Course aims and objectives: the ATO accepts that for marketing purposes, a course description may not indicate the employment-related skills to be gained. In this instance the provider's internal documentation about the course should clearly indicate the course intention to add to the employment-related skills.
- The course approximates an accredited course.

The intention of the individual learner is not considered relevant in determining whether the course will add to employment-related skills.

If evidence is collected that the majority of people undertaking a course have gained employment from the skills gained in the course, future courses may be determined to add to employment-related skills on this basis. The evidence must be recorded.

Note: employment-related skills are broader than just 'vocational' skills and can include what are sometimes referred to as 'soft' skills such as communication, decision-making, negotiation etc.

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Adult Learning Australia's response

Prior to July 2000, Adult Learning Australia had made a number of submissions to the government and the Senate Committee setting out its expectations of the GST's impact, the amount of revenue the tax would raise on courses and the compliance costs for providers. In a press release in late June 2000, the Association, in the absence at that stage of an Australian Taxation Office ruling on ACE courses, called on the government to grant a six-month moratorium on collecting the GST. The Executive Director stated that over 500 000 Australians would enrol over the next year in community-based adult education courses, and of those, 350 000 would enrol in courses subject to the as-yet unreleased tax ruling. The release continued:

> *ACE providers – non-profit, community-based small organisations – have been preparing for a range of additional cost increases. Previously exempt from wholesale sales tax, ACE organisations now face hikes in their major non-salary expenditures – rent, electricity, internet access, office equipment and car. But now they will have to retrospectively collect or reimburse the GST on courses. Without guidelines on which courses were GST-free or GST-liable, ACE providers had to print their course programs and hope they got it right. If they didn't, they will have to retrospectively collect the tax from students. Any shortfall will have to be met by the ACE centre. If they incorrectly collected the tax at enrolment they will have to reimburse it. In all cases there will need to be readjustment after the Ruling is released. For many this will be a very costly exercise and for all it will be an unwanted additional burden. Some will find it very difficult to absorb this additional cost (www.ala.asn.au/gst/moratorium.html, accessed 21 August 2001).*

The press release concluded that "a tax on learning is not conducive to building either a learning society or a knowledge nation. It will only serve to put off those people we most need to encourage back onto the learning pathway." A subsequent message from Kim Beazley to Adult Learning Australia, dated 30 June 2000, affirmed that "The Labor Party believes that many of these ACE courses which will now have the GST applied to them are often the first step for people when they re-enter education. This ruling is a padlock on the front door of lifelong learning" (*www.ala.asn.au/gst/mreleases/Beazley.html*, accessed 21 August 2001).

Some of the Association's figures were accepted by the Department of Education, Training and Youth Affairs in its submissions to the Senate Committee. Since July 2000, the association has continued to make representations but has been hampered by a lack of data on the actual impact of the New Tax System.

1.2 Other studies on the impact of the GST

The implementation of tax reform in Australia, including the GST, has created a great deal of debate in both public and private arenas. An extensive media coverage of the various issues has been evident over the past year. The following discussion draws on some of this coverage, and provides a backdrop to the issues discussed in this study on ACE organisations.

A national survey of more than 1000 independent retail grocers across Australia was undertaken by the accountancy firm Hall Chadwick and its key results were widely reported in the press (e.g. *The Advertiser*, 14 April 2001, p.11). The study revealed that small retailers spent an average of $18 622 getting their businesses ready for the introduction of the GST, and $6199 on compliance costs in the six months July to December 2000 – that is, more than $1000 a month on compliance. For medium-sized retailers with an annual turnover of $5–$20 million, the average GST start-up cost was $44 704 and the average compliance cost was $15 300 for the same period. These findings prompted the chief executive of the State Retailers' Association of South Australia to declare:

> *... [the cost of setting up GST last year had] wiped out the meagre operating profits earned by many of these predominantly family-owned small businesses. Our members have told us that the GST and ongoing compliance costs were killing their business and this survey is proof positive that the Federal Government must come to the party and provide compensation for the cost of complying with the new system."*

In a national random survey of 160 small businesses conducted by the Sunday newspapers to "check the pulse of the GST after one year's operation," 90 percent felt that the federal government "had done nothing for them or actually hurt them" (*Sunday Mail*, 1 July 2001, p.16). Two-thirds felt they were worse off because of the GST and three-quarters felt that the economy was flat or deteriorating. The findings came as no surprise to the Australian Retailers' Association chief executive who

labelled the GST and New Tax System "an administrative nightmare for many small operators". Reported comments from respondents were that changes to the BAS had not made much difference; government only paid lip service to their problems: "small business is seen as small cheese" and government was "too busy looking after the big end of town to worry about small business"; and that "there are so many people going out of business because of the GST, it is the little ones finding it really hard."

Another national survey by TMP of more than 6300 firms reported in May 2001 indicated that "anger is growing among employers as they grapple with the complexities of the controversial tax" and that support for the GST was waning (*Sunday Mail*, 29 May 2001, p.18). Of the surveyed businesses of less than 20 employees, 20 percent wanted a GST rollback if Labor were to win the next election, a figure up from 12 percent in a similar survey in November 2000. Medium and large business also believed the GST should be rolled back but the rises were less – for medium business, 11.7 percent in May 2001 compared with 9.2 percent in November 2001, and for large business, 10.1 percent compared with 8.8 percent. The director of the survey firm concluded that "support for a GST among business was waning". "Almost a year down the track, the GST is proving troublesome, particularly for small business operators who cannot afford accountancy firms and are largely doing the books themselves." The chief executive officer of Business SA claimed he was not surprised by the findings, asserting that small business "had borne the brunt of the GST" and that "the BAS and requirements for complying with the GST had turned 80 000 people and two million businesses into tax collectors."

The plight of charities was highlighted in a press report from Canberra in May, which called the paying of "millions of dollars in GST ... a major embarrassment" to the federal government (*Sunday Mail*, 6 May 2001, p.4). Leading charities such as St Vincent de Paul and Anglicare had by that time paid out $600 000 in GST, despite government assurances charities would be exempt. The problem traced back to an ATO ruling in 2000 requiring charities to pay GST on emergency bill payments for people in crisis but not enabling them to claim them back.

Subsequently, the Magdalene Centre, an Adelaide Anglican charity organisation, reported in July 2001 that it saw 789 households in May, up by almost 300 more than in the same month in 1999 and 200 more than in 2000. The manager attributed this rise to "people getting bigger and bigger bills" as the "GST has contributed to more people needing emergency relief". (*The Advertiser*, 7 July 2001, p.41). Supporting these claims, the director of Centacare Catholic family services claimed that the Federal Government had under-estimated the impact of the GST on low-income families. Again, the general secretary of St Vincent de Paul stated that the GST had impacted on administration costs: "It has increased the costs we incur in carrying out the work. There's much more form-filling to claim back the GST and there's an impact on labour costs".

The impact of the GST has been cited as a key reason for businesses going bankrupt. In the first twelve months of the GST, nearly 4500 businesses went bankrupt nationally, nearly doubling from the previous year (*The Sunday Telegraph*, 15 July 2001, p.5). Between April and June 2001, a total of 1502 businesses went broke which was an 82 percent increase over the 850 in the same period the previous year. Business analysts have been attributing the rise to businesses deferring GST payments, creating cash flow problems. Many businesses feel that they cannot pass on the full GST to customers in the form of higher prices because they are competing with big businesses which can absorb smaller margins. The president of the National Tax and Accountants' Association estimates that the compliance cost of the GST and BAS for a small business to be between $7000 and $10 000, though "the real cost had turned out to be closer to $20 000".

Another study by economic analysts BIS Shrapnel of over 700 stores and 100 wholesalers and distributors, released in September 2001, found that 46 percent of respondents blamed the GST for their falls in sales and profits (reported in *The Advertiser*, 10 September, p.4). The GST was being held responsible for "the start of a slow death for the traditional Australian corner store". The research found that corner stores have declined from 8000 in 1998 to about 7000 around the nation, representing a drop from one corner store for every 2800 Australians in 1998 to one for every 2200 people now.

Warning came from the Australian Competition and Consumer Commission (ACCC) in April 2001 that many businesses, particularly small ones, were breaking the law with their GST practices. The example cited in this case in *The Australian* (26 April 2001, p.22) was the

practice of quoting using the words "plus GST" instead of quoting GST-inclusive prices. The problem was estimated to be at its most prevalent in the service industries, and accounting groups believed that very small operators were the ones falling foul of the GST pricing procedures. One tax consultant with CPA Australia claimed that "the mistakes many business owners make are caused because they don't know what their obligation is". A spokesperson for the Housing Industry Association stated his belief that the government's GST education program for businesses that are not members of business organisations (most businesses) was "inadequate".

The political parties are naturally divided over the GST. An informative report in The Australian of 13 June (p.12) highlighted the "Hotspot: The GST". While John Howard was quoted as saying that "we're now in the post-GST phase of the economic debate in Australia ... the GST has come, there were some transitional difficulties – we're responding to those – but by and large, it is being put behind us and we're going on to the next big issue", Simon Crean made the GST his focus in responding to the sixth national budget. He contended that "the GST has slashed economic growth, driven down domestic demand, wrecked job growth, cut housing investment and forced down business profits and investment". This polarisation is reported in this article as reflective of the public's view, and it reports on evidence from a Newspoll survey on the last weekend of May 2001. Opposition to the tax was then at its equal highest level – 57 percent – since May 1999, but support also remained relatively high at 39 percent. Eleven months after the introduction of the GST, only 4 percent of the population have no view about its effects. Attitudes have hardened against the GST on two key aspects – its impact on living standards and on the economy. The figures are summarised below for the two questions, "Are you better or worse off due to the GST?" and "Do you think the GST is good or bad for the economy?":

These figures indicate a considerable hardening of the Australian public's attitude towards the GST since the time when the tax package was first unveiled.

The issue of attitudes towards the GST was given another airing in *The Australian* of 30 June–1 July 2001 (p.33). This article, provocatively titled "GST. The farce be with you", reported on the question of "One year on, how fares the GST revolution?" and concludes that taxpayers are "still dazed and confused". However, it underlines the interesting point that there is a difference in attitude between the "head and the hip-pocket". While people express their dislike of the tax more than ever and judge that it has made them poorer, nevertheless they seem to have stopped thinking about it when spending. Consumer demand had returned to normal levels by March. Retail spending generally was running at 10 percent higher in April than a year earlier. The difficulties remain with business rather than with the consumers. The conclusion appears to be that people "have learned to live with it", to the extent that Newspoll evidence seems to be showing that even Labor voters are tending to not like the idea of their party rolling it back because that would mean even more change. As one person proclaimed, "I believe the complications of a rollback would be too great. Beazley wouldn't be able to do it. It would be a nightmare." Nevertheless, Labor continued to make announcements about a prospective rollback, claiming in September another item, the fourth – funeral expenses – after women's sanitary products, caravan park rents, and bills paid by charities on behalf of poor people. The Federal Treasurer retorted that "rollback is a policy designed to complicate the tax system and increase compliance issues for small business" (*The Advertiser*, 11 September 2001, p.11).

A study of 2300 businesses by the Australian Chamber of Commerce and Industry furnished another insight into attitudes towards the GST (reported in *The Advertiser*, 10 September, p.4). This research found that business had had enough of tax reform and now wants the major tax initiatives of the Federal Government left alone. The ACCI chief executive concluded:

> *The most important issue of concern to business is the frequency and complexity of changes to tax laws and rules. This is not a surprising result given the immense number of changes that business has had to contend with over the past year in learning to process the GST*

	Personally:		For the economy:	
	Better off	Worse off	Good	Bad
August 1998	21	33	47	24
May 2001	10	58	36	49

and in coming to terms with the Business Activity Statement (BAS). 7

In a submission (dated 28 March 2001) to the Minister of Seniors in Western Australia, the executive director of COTA (WA) reported on a recent survey on the impact of tax reform on Seniors' organisations. The results indicated that these organisations perceive the tax reform package to have had "serious adverse consequences" for them – 95 percent of respondents reported that they had been affected "moderately" or "enormously", 5 percent "little" or "not at all", and none reported a positive impact overall. Comments centred around increased administrative work, ongoing compliance costs, high setting up costs which were not offset by the $200 setting up grant, and confusion regarding the system. The majority reported that the costs far outweighed the savings – including administrative burdens, computer software purchases and staff training. Other significant comments included:

- ongoing confusion over GST and salary sacrifice provisions
- considerable time, money and effort expended in lobbying politicians and contacting the ATO regarding anomalies in GST administration
- legal costs incurred in seeking advice and representation on particular GST-related issues
- cash flow problems
- diversion of resources from service provision to administrative work
- increased stress levels for staff and volunteers.

Specifically with regard to the subject of this project, Borthwick, Knight, Bender & Loveder (2001, pp.17–18) canvassed the likely effect of the GST on ACE during their consultations with the field. They concluded at that time that:

> *The GST-free definition may become a boundary within the ACE sector and is likely to have an impact over time on the programs which are offered by providers or accessed by students… Most if not all providers consulted were in the process of establishing a GST exempt status on all or most of their activities, particularly where revenue bases were small. It was felt that some providers may go out of business because of the additional administrative load generated by the GST arrangements (p.18).*

Similarly on this issue, Golding, Davies and Volkoff (2001) have claimed that governments' insistence over the last decade on an historic, simple distinction between vocational and non-vocational adult learning based on program content has important and ongoing implications for what kind of education and training is recognised, valued and publicly funded. It also has significant implications for which parts of adult education did and did not attract the goods and services tax (GST) after its introduction in July 2000 (p.46).

While organisations of many types have taken some time to come to terms with the implementation of the GST, stakeholders in the ACE sector have found the issue particularly contentious. This is the focus of this particular study.

1.3 Project scope

Over the past decade, there have been numerous attempts to map or define adult and community education in Australia (some examples are Senate 1991, Harris & Willis 1992, McIntyre 1993, Crombie 1996, Kaye Schofield and Associates 1996, McIntyre & Kimberley 1998, AAACE 1996, MCEETYA 1997, Borthwick et.al. 2001). However, a recent review on ACE research by Golding, Davies & Volkoff (2001) concludes that "the informal and non-award nature of much of ACE makes it difficult to draw firm boundaries around it – to enumerate the complete scope of its activity, its courses, providers and students" (p.8) and that "… the identity of ACE lies in the eye of the beholder" (p.57). In short, there is no simple way of defining a coherent national ACE 'sector' (Golding et al. 2001, p.39).

A range of diverse organisations undertakes the provision of adult and community education across Australia, and at this stage of development of the sector, it is extremely difficult to state the number with any degree of certainty. Kelly and Goldsworthy (1993, quoted in Golding et al. 2001, p.47) in their comprehensive review of ACE, Hidden from view, suggested from their survey that 'well over a thousand' organisations were 'seriously involved' in ACE in Australia. A recent estimation by the NCVER using available national data collection statistics indicates a figure of around 950 ACE providers (Borthwick et al. 2001). Adult Learning Australia's considered judgement is that there are approximately 1000 ACE organisations in Australia.

Each of these organisations operates under different conditions and in different contexts and each State/Territory has a different system of organising and supporting this ACE activity. Some of these providers receive funding from State/Territory or Commonwealth recurrent and specific-purpose allocations for VET, others from various State/Territory departments like Departments for Human Services or their equivalents, and others from local governments. Other ACE endeavours are funded on a fee-for-service basis, and volunteers or unpaid workers also provide some ACE programs (Borthwick et al. 2001, p.vii; NCVER 2001, p.5).

Generally, however, ACE providers within the parameters of this project may be grouped into three different organisational types:

- small, not-for-profit community groups using 'shoe-box' accounting systems, with both manual and computerised systems
- intermediate organisations using 'off-the-shelf' accounting systems (for example, MYOB)
- complex organisations using integrated computerised accounting, enrolment and management systems

Each of these organisational types, while sharing many of the same transitional issues, may be expected to respond to specific issues related to their size, activity and complexity. For the purpose of this research project, the association limited the scope of coverage to the core ACE areas of its membership – that is, those organisations commonly referred to as community colleges, neighbourhood houses, community adult education centres, Workers' Educational Associations and so on. The scope was also limited (as far as could be determined) to those organisations funded by their respective State/Territory governments and to non-Technical and Further Education (TAFE) organisations.

1.4 Project focus

This project was designed to examine the impact of the GST on ACE providers in Australia. In particular, it focused on:

- providers' accounting and enrolment systems in place at the time of GST implementation
- changes introduced by providers to meet the requirements of the GST
- costs relating to GST collection
- continuing needs arising from the GST implementation.

Arising from these foci, key research questions established for the study included the following:

- What is the annual turnover of the organisations?
- If GST registration is optional, have these organisations chosen to register?
- Are they using cash or accrual accounting for the purposes of the GST?
- Have these organisations obtained Income Tax Exempt Charity (ITEC) status?
- How many hours are involved in preparing BAS?
- Are their current accounting systems manual or computerised? Have they changed as a result of the GST?
- What changes have resulted due to the GST?
- Do their current accounting and enrolment software and hardware cope with GST reporting needs? If not, what would be needed?
- What is the capacity of the organisations to resource such changes?
- What proportion of ACE courses are attracting the GST?
- How much GST was collected? How much on courses?
- What issues are involved for the organisations in implementing the GST?

1.5 Summary of the research process

The data collected to explore these research questions are based on telephone interviews with a sample of 232 ACE organisations across Australia supplemented with follow-up telephone interviews with 19 of the initial respondents. A 25 percent sample of funded ACE organisations was drawn randomly and proportionally from State/Territory databases with advice from the Project Reference Committee (see Appendix A).

The main telephone interview comprised 36 questions and was conducted during June 2001 with the help of the Marketing Science Centre of the University of South Australia. Organisations were sent through the mail the questions prior to the interview so that required information could be gathered in preparation. The follow-up interviews were carried out by a member of the research team. Very healthy response rates of

52 percent and 48 percent respectively were obtained for the main and follow-up interview surveys.

The realised sample of 232 ACE organisations was reasonably representative of the expected distribution across the States/Territories. Based on the estimates of the Reference Committee, there was, however, an over-representation of South Australian and NSW organisations and an under-representation of Queensland organisations.

Full details on the project's methodology are given in Appendix B.

2. The organisations – an overview

This section of the report provides a background on the organisations which responded to the telephone interview survey. The data in this section describe these ACE providers in terms of the features relevant to the focus of this study.

2.1 Annual turnover

One indicator of size of provider is annual turnover. The organisations were asked for their annual turnover – either between July 1999 and June 2000 from their Annual Report, or for their last complete Financial Year. The annual turnover of the 232 organisations surveyed varied from $500 to $18 million.

Across the States/Territories, analysis confirms that over two-thirds of ACE providers have less than a $250 000 annual turnover (Table 2.1). Thirty five percent are in the smallest bracket of less than $50 000, 13 percent are in the $50 000 to $99 999 bracket and another 21 percent are in the $100 000 to $249 999 bracket.

Table 2.1: Annual turnover of ACE providers by State/Territory and locality

		Revenue categories ($000)					Total
State		0–49.9	50–99.9	100–249.9	250–499.9	500+	
ACT	Metro	2	–	1	1	3	7
	Total	**2**	–	**1**	**1**	**3**	**7**
NSW	Metro	–	–	1	–	5	6
	Regional	7	4	9	10	9	39
	Total	**7**	**4**	**10**	**10**	**14**	**45**
NT	Metro	3	–	2	–	–	5
	Total	**3**	–	**2**	–	–	**5**
QLD	Metro	2	–	1	–	2	5
	Regional	4	2	2	1	4	13
	Total	**6**	**2**	**3**	**1**	**6**	**18**
SA	Metro	12	7	3	–	2	24
	Regional	5	–	2	–	–	7
	Total	**17**	**7**	**5**	–	**2**	**31**
TAS	Metro	3	–	2	–	–	5
	Regional	3	–	1	–	–	4
	Total	**6**	–	**3**	–	–	**9**
VIC	Metro	13	8	13	7	4	45
	Regional	24	8	11	9	10	62
	Total	**37**	**16**	**24**	**16**	**14**	**107**
WA	Metro	1	1	–	–	5	7
	Regional	3	–	–	–	–	3
	Total	**4**	**1**	**2**	–	**5**	**10**
TOTALS		**82**	**30**	**48**	**28**	**44**	**232**

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2.2 Student enrolments

A second indication of provider size is student enrolments. Providers were asked for the total numbers of enrolments in the year 2000. Student enrolments in the sample across States/Territories and localities are presented in Table 2.2.

Student enrolments in 2000 across the States/Territories varied from less than 10 to more than 33 000 per provider. A number of respondents were unsure of their enrolment figures. Discounting that group, the average student enrolment across the States/Territories was 2102 students per organisation for the period under review.

As might be anticipated with organisations in the ACE sector, the sample was characterised by relatively small providers, as 41 percent reported less than 100 students in that year, and another 25 percent between 100 and 499 students. Thus, two-thirds had less than 500 students.

Regarding the larger organisations, 16 percent reported they enrolled 2500 or more students (including nine percent with 5000 or more). These organisations were predominantly in the populated States of NSW (n=22) and Victoria (n=12).

2.3 GST registration

GST registration was not considered optional by 70 percent (n=162) of the 232 organisations surveyed. One-quarter (n=58) could choose registration, while the

Table 2.2: Numbers of enrolments in the ACE providers, by State/Territory and locality

State		0–99	100–499	500–2499	2500–4999	5000+	Total
ACT	Metro	4	3	–	–	–	7
	Total	**4**	**3**	–	–	–	**7**
NSW	Metro	–	–	–	–	6	6
	Regional	2	5	16	9	7	39
	Total	**2**	**5**	**16**	**9**	**13**	**45**
NT	Metro	3	2	–	–	–	5
	Total	**3**	**2**	–	–	–	**5**
QLD	Metro	3	–	2	–	–	5
	Regional	10	2	1	–	–	13
	Total	**13**	**2**	**3**	–	–	**18**
SA	Metro	12	8	2	–	2	24
	Regional	5	1	1	–	–	7
	Total	**17**	**9**	**3**	–	**2**	**31**
TAS	Metro	2	2	1	–	–	5
	Regional	1	3	–	–	–	4
	Total	**3**	**5**	**1**	–	–	**9**
VIC	Metro	21	14	8	2	–	45
	Regional	27	15	10	5	5	62
	Total	**48**	**29**	**18**	**7**	**5**	**107**
WA	Metro	4	1	2	–	–	7
	Regional	2	1	–	–	–	3
	Total	**6**	**2**	**2**	–	–	**10**
TOTALS		**96**	**57**	**43**	**16**	**20**	**232**

remaining five percent (n=12) were unsure about this issue.

When asked whether they registered anyway, five percent responded that they had not, and therefore these 12 organisations were not required to answer questions on GST impact in the survey.

It is important to note that not-for-profit organisations below $100 000 annual turnover do not have to GST register. In this sample, 112 respondents were below that threshold, yet only 58 of them (and perhaps the other 12 who were uncertain) considered GST registration optional.

One reason for discrepancy in these figures may result from the Adult, Community and Further Education (ACFE) Board requirements on providers who receive funding in Victoria. In that State, it is mandatory for providers who receive funding to be registered for the GST. In NSW, registration is not a funding requirement. Thus a question about GST being optional for providers may be interpreted by them in the light of their respective funding rules, rather than the GST legislation.

2.4 ITEC status

Dependent upon their situation, some ACE providers are able to apply for Income Tax Exempt Charity (ITEC) status. This status allows the application of the 'market value' or 'cost of supply' rules to supplies they make. If a supply (such as a course) is supplied at less than 50 percent of market value, or less than 75 percent of the cost of the supply, it is GST-free (Martin 2001, p.13).

When respondents in this sample were asked about their ITEC status, 78 percent (n=180) had obtained this status, 19 percent (n=44) had not and three percent (n=8) did not know.

2.5 Percentage of courses judged vocational

Respondents were asked what percentage of their courses were vocational. Across the sample, a mean of 40 percent of courses were deemed to be vocational.

The distribution of organisations is presented in Table 2.3. It shows that 14 percent (n=28) of respondents judged all of their courses to be non-vocational; while at the other extreme, 15 percent (n=31) judged all of their courses to be vocational. The remainder of the providers were spread between these two ends of the continuum, with 37 percent of respondents (n=76) judging that only 1–30 percent of their courses were vocational.

Table 2.3: Number of providers judging the proportions of their courses as 'vocational'

% of courses deemed 'vocational'		No. of providers	% of providers
0		28	14
1–10	[10% = 17 providers]	35	17
11–20	[20% = 16 providers]	17	8
21–30	[30% = 11 providers]	24	12
31–40		13	6
41–50	[50% = 25 providers]	28	14
51–60		4	2
61–70		8	4
71–80	[75% = 10 providers]	5	7
81–90		1	0.5
91–99		1	0.5
100		31	15
Don't know or refused		14	–
Total		**220**	**100**

2.6 Accounting systems

Providers were asked about the accounting system they currently use. In this sample, 89 percent (n=196) of respondents had a computerised accounting system, while 11 percent (n=23) reported a manual system. Of the large majority on computerised systems, two-thirds also had computerised enrolment systems compared with only one-third of those on manual enrolment systems (Appendix F-8). The differences in accounting systems between providers of various sizes across Australia can be viewed in Table 2.4.

The providers using manual systems were, not surprisingly, the smaller ones, the proportion of providers having manual systems decreasing as size increased.

2.7 Enrolment systems

Providers were asked what type of enrolment system they currently use. Sixty five percent (n=143) used a computerised enrolment system and 34 percent (n=74) a manual system (one percent were not sure).

In the smallest revenue category, half of the providers used a manual enrolment system, compared with around one-quarter in each of the other revenue categories (Table 2.5).

Table 2.4: ACE providers using manual or computerised accounting systems, by annual turnover

Accounting system	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Manual	14	19	3	13	5	10	1	4	–	–	23	11
Computerised	58	79	24	89	43	90	27	96	44	100	196	89
Don't know	1	2	–	–	–	–	–	–	–	–	1	–
Totals	**73**	**100**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**100**

Table 2.5: ACE providers using manual or computerised enrolment systems, by annual turnover

Enrolment system	Revenue categories ($)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Manual	36	49	7	26	14	29	6	21	11	25	74	34
Computerised	36	49	18	67	34	71	22	79	33	75	143	65
Don't know	1	2	2	7	–	–	–	–	–	–	3	1
Totals	**73**	**100**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**100**

3. The effects of the GST

A second group of questions provided information on the impact of the GST on the operations of the organisations. This section of the report presents the findings on impact as reported by this sample of ACE providers.

3.1 Expected effects of the GST on annual turnover

Providers in the sample were asked about their expectations of the effects of the GST on their annual turnover (see Table 3.1).

Table 3.1: ACE providers' expectations of the effect of the GST on their annual turnover

Expected effect	n	%
Increase	58	25
Decrease	51	22
No effect	112	48
Don't know	11	5
Total	**232**	**100**

Interestingly, almost half (48%, n=112) of the respondents expected the GST to have no effect on their annual turnover. Almost equal proportions expected the GST either to increase (25%) or to decrease (22%) their turnover. Five percent (n=11) did not have an opinion.

Significantly higher proportions of

- those on cash accounting systems (32%) than on accrual accounting systems (21%)
- those who had changed their accounting systems (28%) than those who had not changed (10%),
- those who reported they were experiencing problems with GST implementation (30%) than those not experiencing problems (22%)

expected that the GST would increase their annual turnover (Appendix F-1,2,3).

By size, the strongest expectation of revenue increase was in the smallest revenue category ($0–49 999) and also in the providers with the lowest number of student enrolments (0–99). (For further figures across States/Territories and regional/metropolitan localities, see Appendix E).

It is unclear how the expected changes in income are understood by organisations to eventuate. Whether they expect them to be due to student enrolments changing, income with GST added on, or other factors not known, is not indicated. However, some comments by respondents do provide an indication of the providers' uncertainty:

> *[The GST] affects the students rather than the organisation. Every three months, they are stressed out and sometimes do not attend because sometimes they have to do their own personal GST.*

> *It doesn't impact on us to a great extent except that it has an impact on students able to do the courses as they say everything costs more.*

> *The concessions have had to stop being offered because of the GST impact which has affected our students. We have to add the GST component.*

> *I believe people's spending power is so reduced [they] cannot afford to buy materials for the courses we run.*

> *One of the major effects for us is that we have spiralling costs. We lost sales tax exemption and most of the costs of goods and services have gone up – for example, the cost of paper – [we're] paying 42 percent more.*

3.2 Percentage of courses to which GST is applied

Respondents were also asked the percentage of their courses to which they applied GST (Table 3.2). Like the percentages of courses deemed 'vocational', these percentages ranged from 0–100 percent, with an average of 26 percent.

Table 3.2: Numbers of providers judging the proportions of their courses as 'vocational'

% of courses to which GST is applied		No. of providers	% of providers
0		96	44
1–10	[10% = 12 providers]	32	15
11–20		9	4
21–30		10	5
31–40		6	3
41–50	[50% = 15 providers]	19	9
51–60		5	2
61–70		3	1
71–80		6	3
81–90		6	3
91–99		3	1
100		21	10
Don't know or refused		4	–
Total		**220**	**100**

An important finding here is that a very high proportion of organisations – 44 percent (n=96) – did not apply the GST at all. Another 15 percent (n=32) applied the GST to ten percent or less of their courses. Thus six out of ten of these ACE providers were applying very little or no GST on courses.

At the other end of the scale, 10 percent (n=21) of organisations applied the GST to every one of their courses.

3.3 Criteria used in determining GST

Respondents were asked how they determined whether GST should be applied to a course (they could give more than one answer) (Table 3.3).

Four out of ten respondents reported that their organisation used the ACE Ruling, while one-third reported using ITEC status as the basis of their decision. The remainder of the sample who use other means to determine whether to apply GST or not expressed their reasons in many different ways, their responses reflecting a high level of uncertainty and confusion. For example, some claimed they "... applied [GST] as a blanket" or that they "... just apply [GST] to everything at the present time", judging that it was "... better to be safe and do it than not to – and we get it back". Others simply stated that "... we assess the costs and then apply a profit margin" or that they "... try to keep courses cheaper than TAFE".

As has been noted earlier, across the survey population the average percentage of courses deemed vocational is 40 percent while the average proportion of courses deemed to be GST-free is 74 percent.

This disparity can be explained by the fact that there are a number of options for most ACE organisations to determine the GST status of supplies. In addition to applying the ACE Ruling ("likely to add to employment-related skills"), the majority of organisations have ITEC status which means they can apply the Nominal Value rules (less than 50 percent of market value or less than 75 percent of the cost of supply) to make supplies GST-free. Organisations that are Registered Training Organisations may also apply the Tertiary Ruling, again with the result of making certain courses GST-free. Therefore, while only 40 percent of courses are deemed vocational, others are likely to have been determined to be GST-free using these other methods.

Income Tax Exempt Charity (ITEC) Status "Nominal cost" rules

Organisations with ITEC status can apply the Nominal Value rules. That is, a course can be GST-free if the cost is:

- less than 50% of market value (ie if another organisation operating in the same market place is offering the same course at twice the price) or
- less than 75% cost of supply (ie if the real cost is somehow subsidised to more than 25% of what it actually costs to deliver. Only actual outgoings can be included when making this calculation – you cannot deem the value of volunteers).

Table 3.3: Criteria used to determine application of the GST to a course

Criteria used	No. of responses	% of responses (n=234)	% of respondents (n=220)
ACE Ruling/We decide if vocational	88	37	40
ITEC status/75% cost of supply rule/ 50% market value rule	75	32	34
Funded versus unfunded courses	14	6	6
Tertiary Ruling	6	3	3
Other	51	22	23
Total			**100**

The survey has identified a large number of organisations using different methods of deciding how and whether to apply GST to courses. There appears to be considerable confusion over the ways in which organisations apply, or believe they should apply, GST to courses.

There are a number of options and they therefore have to necessarily use their judgement. Often there are few people in the organisations, and the level of complexity around these options can easily lead to confusion that can result in inaccurate decisions. What can be concluded from analysis of the responses of this sample of ACE organisations is that the criteria for determining whether GST should be applied to courses are not in all cases being applied accurately or consistently. Another conclusion that can be reached, both from the responses given in Section 3.1 and from other comments here such as "... most of the students are on low incomes, so we chose not to apply GST," is that such decisions are often being made on the basis of what organisations perceive to be in the interests of their students.

3.4 Cash or accrual accounting for GST

When registering for GST, organisations were asked to elect either 'cash' or 'accrual' as the basis for accounting for GST. If using the cash basis, any GST collected is attributable to the tax period in which payment is received. If part-payment is received, only the relevant proportion of GST is attributed.

Under the accrual basis of accounting for GST, the organisation attributes all of the GST to the tax period.in which the earliest of the following occurs: receipt of any payment in connection with the supply, or a tax invoice is issued in relation to the supply. Therefore, unless carefully managed, it is possible to be in the position of having to remit GST to the Australian Taxation Office prior to having collected it.

The following analysis briefly examines the different accounting for GST methods employed by the sample population.

Respondents were asked about the type of accounting system they use for GST purposes. Just over half (56%, n=124) use cash accounting, with slightly more than a third (36%, n=78) used accrual accounting. (The other eight percent – 18 respondents – did not provide an answer to the question.) Those organisations with manual systems opted significantly more for cash accounting (74%) than did those with computerised systems (55%)(see Appendix F-4).

Of those using cash accounting, approximately equal proportions reported problems with GST as reported no problems. However, in the case of those using accrual accounting, significantly less (n=32, 41%) reported problems than not having problems (n=45, 58%) (Appendix F-6).

There were few major differences in accounting methods between States/Territories, localities or size of provider. However, it would seem that larger providers are more able to manage the potential cashflow issues created by GST than smaller providers. Sixty-one percent (n=27) of the largest providers in terms of annual turnover used accrual accounting for GST compared with only 29 percent of small providers (n= 51) (see Appendix E).

3.5 Amounts of GST and input tax credits

GST collected overall

Organisations were asked about how much GST they collected in the BAS period between July and December 2000. The mean amount collected was $17 646, with a range of $11 up to $450 000. Of the 232 respondents, 199 (86%) collected less than $25 000 each for the period.

Based on these figures, then, the annual amount collected is the equivalent of $35 292 per ACE organisation. Thus, if the number of ACE organisations across Australia is estimated to be around 1000, the total amount of GST collected in all these organisations would amount to around $35.3 million per year.

GST collected on courses

With regard to the amount of GST collected in this same period on courses, organisations reported a mean amount of $2963, with a range from $10 up to $222 000. Of the 232 respondents, 214 (92%) collected less than $20 000 on courses.

On average, therefore, respondents were reporting that about 17 percent of their total GST was collected on courses.

The annual amount collected on courses, on these figures, is $5926 per ACE organisation. Again, if the number of ACE organisations across Australia is estimated to be around 1000, the total amount of GST collected on courses in all these organisations would be equivalent to approximately $5.9 million per year.

Input tax credits

The mean dollar value of the organisations' input tax credits for the same period was $8626. The annual amount is therefore $17 252, and based on the estimated number of ACE organisations in Australia being 1000, the total amount of input tax credits would be approximately $17.3 million per year.

3.6 BAS period chosen

Of the survey respondents, 76 percent (n=166) chose a quarterly, and 21 percent (n=45) a monthly tax period for preparing and submitting their Business Activity Statements (the remaining 4 percent of respondents did not answer the question).

3.7 Time taken to prepare the BAS

Providers report that the average time taken to prepare a BAS is 6.0 hours for a quarterly return and 4.8 hours for a monthly return (Table 3.4).

Table 3.4: Average time taken to prepare BASs, by reporting period

Reporting period	Mean (hours)	Standard deviation (hours)
Monthly	4.8	5.9
Quarterly	6.0	9.0

It should be noted that the survey data show high deviation from the standard for both monthly and quarterly preparations. Such deviation indicates considerable variation across the organisations. This variation is illustrated in Table 3.5.

While very few organisations in the lower categories of annual turnover choose monthly tax periods, there is a relatively even split of time periods in the more than $500 000 category. This would indicate that the larger organisations' more sophisticated accounting systems are able to handle either reporting period with ease.

While there is some deviation across the size, locality and State/Territory categories, this may possibly be accounted for by the type of personnel who take on the task of preparing the Statements. For example, some organisations use either untrained or volunteer staff to prepare statements. Others have paid professional staff to do the same work or they take their BAS to external accountants.

Respondents were asked about the impact of the BAS preparation on both their paid and volunteer staff. The comments below are typical of the responses the researchers received, and they highlight both the strength and the nature of such impact:

Table 3.5: Hours taken to prepare Business Activity Statements

	Tax period chosen				
Hours	**Monthly**	**Quarterly**	**Don't know**	**Total number**	**Percent**
1	7	38	1	46	20.9
2	14	28	–	42	19.1
3	4	12	–	16	7.3
4	4	15	–	19	8.6
5	1	7	–	8	3.6
6	–	9	–	9	4.1
7	–	2	–	2	0.9
8	1	14	–	15	6.8
9	–	1	–	1	0.5
10	1	4	–	5	2.3
11	–	1	–	1	0.5
12	1	4	–	5	2.3
16	1	2	–	3	1.4
20	2	4	–	6	2.7
24	1	3	–	4	1.8
25	–	1	–	1	0.5
30	–	2	–	2	0.9
40	–	1	–	1	0.5
80	–	1	–	1	0.5
Don't know	8	17	8	33	15.0
Total	**45**	**166**	**9**	**220**	**100**

A lot of frustration and insecurity with both paid and volunteer staff. When you change from manual to computer, the time it takes for training leaves staff feeling very insecure and uncertain about whether they are doing the right thing.

It has meant a lot of work and in a non-profit organisation like ours, it has increased workload by about 70–80 percent on what we have to do.

A lot of areas are quite confusing… difficult to get clarification on some areas. When we ring the Tax Office, we get different answers to what the written materials say.

Costs more. Now we have to do reports quarterly instead of only once a year as before.

Increased workload and stress for people to get it right.

Not very fair for 'not for profit' organisations which rely heavily on volunteer labour. Volunteers are not prepared to risk litigation if they mess up or make mistakes through lack of expertise…being tax exempt was much easier.

Follow-up interviews pointed to just over half (n=11) of the organisations needing their volunteer staff to put in more hours since the GST inception. References were also made about some paid staff putting in extra unpaid time in order to catch up with GST requirements. Such extra time includes training needs as well as the day-to-day paperwork associated with the GST.

At the same time, the follow-up interviews indicated that it is not so much the time taken to fill in a BAS but the gathering of the information beforehand that has become arduous and time-consuming for the staff involved. Issues such as:

- checking each transaction to ascertain if GST is payable,

- checking on whether a course attracts GST, and
- checking whether the provider of goods or services has provided an ABN

were especially noted as having considerable impact on both paid and volunteer staff time. From follow-up interview comments it is estimated that the gathering of the GST-related information for the BAS – invoices, pay slips, accounts, petty cash dockets, etc – takes two to three times the time needed to fill in the actual statement itself.

The question here then becomes: is it possible to make some estimate from these data of the costs of collection? One calculation could be the staff cost of preparing the BAS. Using the information in Table 3.4 regarding the average time to prepare the BAS, and Table 3.5 regarding the number of organisations submitting the BAS on a monthly or quarterly basis, we have:

45 organisations report that they spend on average 4.8 hours per month on their BAS. This equals 216 hours per month, or 2592 hours per year.

166 organisations report that they spend on average 6 hours per quarter on their BAS. This equals 996 hours per quarter, or 3984 hours per year.

The combined figure equals 6576 hours per year.

Multiplying this figure by 4.7 to give approximately 1000 ACE organisations results in 30 907 hours across the ACE sector per year.

If we assume an hourly wage rate of $25 per hour, then we can estimate that ACE organisations spend around $772 680 in staff time in preparing the BAS. This does not allow for the other direct and indirect costs associated with managing the GST.

3.8 Changes to accounting systems

The previous section reported that 89 percent (n=196) of providers across the sample are now using computerised accounting systems. However, 84 percent (n=184) of the total sample stated that their system had changed "as a result of the GST". The changes they had made (they could give more than one answer) are indicated in Table 3.6.

Seventy-nine percent of the organisations had invested in GST-related staff training and 63 percent had upgraded their computer software. Of those who stated that they had changed their accounting system for GST purposes, 59 percent (n=109) were using cash and 35 percent (n=64) accrual accounting at the time of the survey (Appendix F-5). Moreover, 93 percent (n=171) were now on computerised accounting systems (Appendix F-7).

The follow-up interviews with providers explored further the factors of staff training and extra costs. From information supplied by 19 organisations, it appears that GST-related training and software upgrading cost these providers the following amounts on average:

Table 3.6: Changes to accounting systems made by ACE organisations as a result of the GST

Changes made to accounting systems	No. of organisations making each change	% of organisations making these changes (n = 184)	% of total responses (n = 507)
GST-related staff training	145	79	29
Upgrade of software	116	63	23
Extra costs	96	52	19
Purchase of new software	59	32	12
New staff	34	18	7
Purchase of new hardware	18	10	4
Upgrade of hardware	18	10	4
Other	21	11	4
Total			**101**

- GST-related staff training: average of $570 per organisation,
- Upgrading software: average of $420 per organisation.

While businesses were able to obtain a $200 grant towards start-up costs for the GST, ACE providers were not able to access such funds because they were funded for a sector-wide education and information program through the GST StartUp Program. It is not clear, however, whether any of the providers were able to obtain this funding as part of their public business dealings.

Within the follow-up organisations, the training component has been undertaken by various means and through various providers. Their various responses are presented in Table 3.7 (more than one answer could be offered).

Table 3.7: Ways in which GST-related staff training had been provided (follow-up interviewees)

Provider of training	No. of responses (from 19 interviewees)
ACE sources (eg Conference, workshops)	10
Software provider	4
External provider/consultant (unspecified)	4
Inhouse	2
Australian Taxation Office personnel	2
Victorian Council of Social Services	1
Association of Neighbourhood Houses	1
Community organisation (unspecified)	1
Employer Association	1
Total	**26**

Several organisations accessed a mix of training sources. The most common source of training however was the ACE sector itself. Adult Learning Australia also offered free GST training to members of the adult learning community, and hence there may be a number of providers who did not have to account for the cost of providing GST-related training for their staff.

It is worthwhile noting here, however, that a not inconsiderable number of organisations found the transition difficult. The following are examples of frequently repeated comments made in the follow-up interviews: "Our treasurer left"; "Wrote own upgrade"; "Increased staff hours"; "Increased paperwork" and "Designed own database to run it".

3.9 Changes to enrolment systems

Respondents were asked whether their enrolment systems had changed as a result of the GST. Thirty percent (n=65) of the ACE organisations reported that it had changed while a larger proportion of 68 percent (n=149) stated that it had not (another 3 percent did not answer this question).

There is a considerable difference between the changes implemented for accounting (84%) and enrolment (30%) systems. The impact of the GST has evidently been far more marked on accounting systems than on enrolment systems.

Of those 65 organisations reporting that their enrolment systems had changed, 86 percent were now computerised and 14 percent manual (Appendix F-10), and 32 percent were located in metropolitan areas compared with 68 percent in regional areas (Appendix F-11).

The 30 percent (n=65) of respondents who answered that their enrolment system had changed as a result of the GST indicated the following changes (they could give more than one answer) (see Table 3.8).

Again, as with changes to the accounting systems, upgrading of computer software and GST-related staff training were reported as the major changes in the ACE organisations' enrolment systems.

3.10 Other changes made due to the GST

Organisations were asked whether the introduction of the GST had caused them to instigate other changes than those to enrolment and accounting systems. The data (respondents could give more than one answer) are presented in Table 3.9.

Six out of ten organisations had not made any other changes as a result of the introduction of the GST. However, 34 (15%) changed course descriptions or objectives to be more vocational and 24 (11%) changed

their program mix to be more vocational than leisure. In other cases, 16 (7%) changed to requiring students to bring their own materials, while a small minority (n=6, 3%) cut courses. The remaining respondents reported other changes than those given but the exact nature of these changes were not defined or recorded.

Table 3.8: Changes to enrolment systems made by ACE organisations as a result of the GST

Changes made to enrolment systems	No. of organisations making each change	% of organisations making these changes (n = 65)	% of total responses (n = 120)
Upgrade of software	47	72	39
GST-related staff training	24	37	20
Extra costs	18	28	15
Purchase of new software	10	15	8
New staff	4	6	3
Purchase of new hardware	4	6	3
Upgrade of hardware	3	5	3
Other	10	15	8
Total			**99**

Table 3.9: Other changes made by ACE organisations due to the introduction of the GST

Other changes due to the introduction of the GST	No. of organisations making each change	% of organisations making these changes (n = 220)	% of total responses (n = 128)
Changed course objectives/description to be more vocational	34	15	27
Changed program mix (i.e. more vocational than leisure courses)	24	11	19
People bring own materials	16	7	13
Cut courses	6	3	5
Other	48	22	37
Don't know	3	1	
No changes	131	60	
Total			**101**

4. Other issues associated with GST implementation

4.1 Are provider systems coping with GST reporting needs?

Accounting systems

In Section 2.6 were identified some 196 (89%) ACE organisations which had computerised accounting systems, and 184 (84%) which had changed their system as a direct result of the GST. The respondents were asked whether their accounting system was therefore now coping with GST reporting needs.

By the time of the interviews, by which time changes had already been made, 90 percent (n=177) of those organisations with computerised systems answered that their current accounting software does now cope with the GST.

Only seven percent (n=13) answered in the negative (and another 3 percent did not answer). A typical comment for this group was, "It's not working properly for us yet – I need a consultant to come and help me".

However, computerisation has not always been the solution. As one respondent said, "We've gone back to a manual system because the upgraded software would not cope and we've had less staff hours to do it".

Enrolment systems

Similarly, in Section 2.7 it was noted that 143 (65%) organisations at the time of the interviews had computerised enrolment systems. They were asked if they now considered their enrolment system to be adequate to cope with the GST requirements. Seventy nine percent (n=113) replied that they were able now to cope, while there were still 15 percent (n=21) that were not coping (6 percent did not answer).

4.2 What is still required for organisations' systems to cope?

Those respondents who answered that their systems were yet to cope with the GST were asked what would be necessary for their systems to cope.

Accounting systems

Responses for the 13 organisations (7%) where accounting systems still did not cope with the GST are outlined in Table 4.1.

Of those 13 organisations, 11 (85%) identified better accounting software as a major factor towards helping their organisation cope with the GST, with three (23%) in each case singling out more training and more time as important factors that would help them.

Table 4.1: Additional assistance required for accounting systems to cope with the GST

Response introduction of the GST	No. of organisations giving this response	% of organisations giving this response (n = 13)	% of total responses (n = 23)
Better software	11	85	48
More training	3	23	13
Time	3	23	13
Scrap the GST	4	30	17
Other	2	15	9
Total			**100**

Enrolment systems

The 21 organisations (15%) that did not consider their enrolment systems were yet adequate for GST operations were asked what items would be necessary in order to cope with enrolment needs under the GST (Table 4.2).

Of those 21 organisations, 15 (71%) identified better computer software as a major factor towards helping their organisation cope with the GST. Five (24%) believed more staff training was necessary.

Table 4.3: Organisations' capacity to resource further changes to accounting systems

Response	n	%
Can resource	4	31
Can partially resource	4	31
Can't resource, but can get funding	1	8
Can't resource	3	23
Other	1	8
Total	**13**	**101**

Table 4.2: Additional assistance required for enrolment systems to cope with the GST

Response introduction of the GST	No. of organisations giving this response	% of organisations giving this response (n = 21)	% of total responses (n = 30)
Better software	15	71	50
More training	5	24	17
Time	2	10	7
Better hardware	1	5	3
Scrap the GST!	1	5	3
Other	6	29	20
Total			**100**

4.3 What is the capacity of organisations to resource these perceived needs?

Accounting systems

The 13 providers noting that their accounting systems still required to be changed, were also asked about their capacity to resource such changes to their systems (Table 4.3). Approximately one-quarter (n=3) of these organisations claimed that they would not be able to resource at all the needs that they had identified.

Enrolment systems

The 21 respondents who had identified certain needs to bring their enrolment systems up to coping with the GST were also asked about their organisation's capacity to resource the changes that they had identified (Table 4.4). Again, one-quarter of these organisations (n=5) believed that they could not resource in any way their identified needs in this area.

Table 4.4: Organisations' capacity to resource further changes to enrolment systems

Response	n	%
Can resource	5	24
Can partially resource	6	29
Can't resource, but can get funding	1	5
Can't resource	5	24
Don't know	3	14
Other	1	5
Total	**21**	**101**

4.4 What other problems are being experienced by these organisations?

Respondents were asked whether they were experiencing problems other than with accounting or enrolment as a result of the GST implementation. Forty six percent (n=102) reported that they were experiencing problems, while slightly more (n=115, 52%) claimed that they were not (the remainder did not give a response).

Of the 102 organisations continuing to experience problems, 63 percent were using cash accounting and 31 percent were using accrual accounting. These proportions represented 52 percent of those using cash and 41 percent of those using accrual accounting (Appendix F-6). Thus organisations with cash accounting appear to be the ones experiencing, or at least reporting, continuing difficulties with GST implementation.

The nature of the problems experienced by these organisations ranged across a number of factors as shown in Table 4.5.

It would appear that the 76 organisations indicating an impact on time and workload have needed to deal with this issue on a number of levels. The following comments are a selection of those received from the respondents and reflect concerns over issues relating to information overload, staff inexperienced in the required accountancy skills and knowledge, increased workload, spiralling costs and locating people willing and able to undertake small jobs:

> *The biggest problem has been having to take so much information in, and the people who it has affected are not accountants or treasurers and so have had difficulty understanding all the implications of the GST.*

> *The GST put a lot of pressure on organisations like ours. GST makes it very complicated and we have to get a professional in to do GST and pay for that.*

> *Given that we are a charitable organisation, it has created a lot of workload that there aren't many courses we have to charge GST for.*

Table 4.5: Problems continuing to be experienced by ACE organisations as a result of GST implementation

Problems continuing to be experienced with the GST	No. of organisations giving these responses (n=102)	% of organisations giving these responses (n=185)	% of total responses
Impact on time and/or workload	76	75	41
Impact on cash flow	35	34	19
Issues of course classification	14	14	8
Reduction in voluntary assistance	10	10	5
Staff turnover	2	2	1
Other	48	47	26
Total			**100**

One of the major factors for us is that we have spiralling costs. We lost sales tax exemption and most of the costs on goods and services have gone up – eg costs of paper: paying 24 percent more.

Just the additional amount of work. The difficulty we have now is finding people and suppliers to do small jobs they want to be paid cash in hand for… Demands for that now seem to be much stronger because of the GST introduction.

The point was also made clear that organisations view the increased workload as a result of the GST in terms of collecting money, doing paperwork and then handing back money. One illuminating remark that succinctly summarised this process was that the exercise was

Time wasting. We get money from the government as in grants which have a GST component. At the end of three months, we spend four hours transferring on paper the GST from one box to another and send the money back to the government.

With regard to the 52 percent (n=115) of respondents who claimed they were not having problems with the GST implementation, it is worth noting that the follow-up round of interviews indicated how time has been an important factor in many organisations' views on the GST and its requirements. This notion was 'tested' in a small way in the follow-up interviews. The researchers inquired of the respondents their views on the impact of the GST on them now, and then what their responses would have been had they been asked that same question nine months previously.

Table 4.6 indicates that, while just over one-fifth (21%) of these followed-up respondents assessed the impact now to be 'huge', almost half (47%) would have made that judgement nine months ago. Thus, half of the earlier assessments of a 'huge' impact had by this time shifted to a verdict of 'reasonable' impact.

Comments volunteered on these assessments hinted at why some of the interviewees had shifted their judgement. Some responses reflected a growing familiarity with the GST. Such comments included: "Got used to it", "Becoming more familiar and comfortable with GST" and "More used to it but still very fiddly and time-consuming". Others believed that its implementation was over-played, with comments like: "Were relatively well prepared for the GST", "Software does it all. GST just a lot of hype over nothing" and "Not as bad as we thought it would be". There were still others, however, who expressed some frustration and negativity with the tax, saying "Has not got better at all", "Unpaid tax collectors" and "Cost increases huge post-GST".

The followed-up interviewees were also asked whether their administration would be easier if the GST was applied to all or no courses. In regard to GST on all courses, 12 (63%) said 'no' and 7 (37%) 'yes'; while for GST on no courses, 16 (84%) said 'yes' and only 3 (16%) 'no'. So while just over one-third would be administratively content with GST on all courses, these respondents strongly favoured (84%) GST being applied to no courses.

In a situation where the tax was applied to all courses, 63 percent (n=12) believed that the impact on their

Table 4.6: Follow-up respondents' assessments of the extent of impact of the GST on their organisations

Estimates of extent of impact of the GST at two points of time	Interviewees who would have given each response nine months previously (ie in 2000)		Interviewees giving each response in July 2001	
	n	%	n	%
Huge	9	47	4	21
Reasonable amount	4	21	10	53
Not much	2	11	2	11
Not sure / don't know	4	21	3	16
Totals	**19**	**100**	**19**	**101**

course intake would be to reduce students and the remainder (n=7, 37%) believed there would be no difference. Conversely, in the preferred situation where the tax was not applied to any courses at all, 42 percent (n=8) estimated that their course intake would increase, while the other 58 percent (n=11) considered there would be no difference.

4.5 What are the organisations' current attitudes towards the GST?

During the main survey, organisations were asked for their overall current attitude towards the GST. The distribution of data is presented in Table 4.7. These figures indicate a majority (53%) of organisations against the GST, with only 7 percent (n=16) expressing a favourable opinion.

Table 4.7: Current attitudes of the ACE organisations towards the GST

Attitude towards the GST	n	%
Strongly in favour	4	2
In favour	12	5
Neutral	76	35
Against	66	30
Strongly against	50	23
Don't know	12	5
Total	**220**	**100**

There was a strong correlation between their attitudes towards the GST and their perceptions of continuing difficulties. Of those against the tax (n=116), 60 percent claimed they were experiencing ongoing problems as a result of its implementation compared with only 19 percent of those who were in favour of the GST (Appendix F-12).

Those few in favour were located in Victoria (n=5), Queensland (4), NSW, ACT and NT (2 each) and WA (1). Cross-tabulations (see Appendix E) show that opposition to the GST tended to be stronger in regional areas (54.1%) than in metropolitan areas (50.5%). There was little difference by organisational size (annual turnover).

With some 76 (35%) of respondents opting for neutrality towards the GST, it is interesting here to consider the comments that respondents made regarding perceived benefits that have arisen since its implementation:

> *We are benefiting financially from the GST... the manager is very clever and has turned the GST into a positive for our organisation.*
>
> *We don't like it, but one of the positive things is that it has made us tighten up our financial control.*
>
> *The GST, while it has been an administrative nightmare, has bonded our organisation together and has made everybody feel part of a team.*
>
> *We took the introduction of GST seriously from the start and prepared well. Fortunately we opted for the quarterly reporting cash basis and reporting from accounts method from the outset.*

Such comments are, nevertheless, in the minority. Far more respondents commented in negative terms on the difficulties their organisations have had to confront during the past months of getting to know the New Tax System.

> *It means demands on our time, and our time is so stretched already, it is an added burden that we don't need – especially when it means that we are collecting GST and sending it back to get it back. It is going in circles that we shouldn't have to do.*
>
> *Petty cash is more difficult to deal with. [We] have to separate non-GST items from GST items. Admin. Assistant is doing eight hours extra a week. Just have to get on with it and cope.*
>
> *Being a non-profit organisation, GST has impacted on cash resources. It has required us to purchase new assets that we would not have needed without the GST. And put a lot of time into staff training.*
>
> *We are like the canaries in the coal mine – we had been experiencing record enrolments over the past two years, but as soon as the GST came, the enrolments ground to a halt. The way we do our banking has had to change too.*

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Similarly, providers are concerned about the impact of the GST in regard to students, their teaching staff and whether the structure of their organisation can cope.

It would be much easier if all courses were the same – either with or without GST. The mix makes it very hard. We have to be continually wary of invoicing students as to whether the course has GST or not.

Teaching staff are casual or sessionally employed. Now teaching staff have to give an ABN number or have to state they are doing this as a hobby. [Our] treasurer has to spend more time on book-keeping. Invoices have to be changed, etc.

It's more business for us [to handle]. Sometimes we don't have the people to claim things back and we lose. Sometimes we don't know if we do wrong or right either. The government needs to make it not two different things – especially for volunteer organisations like ours.

5. Conclusions and recommendations

The purpose of this project has been to examine the impact of the GST on adult and community education (ACE) providers in Australia. The project focussed on:

- providers' accounting and enrolment systems in place at the time of GST implementation
- changes introduced by providers to meet the requirements of the GST
- costs relating to GST collection
- continuing needs arising from the GST implementation.

This section now summarises the main findings, draws out the main themes, highlights some key issues and implications from the research and makes four recommendations to the MCEETYA ACE Taskforce and Adult Learning Australia.

5.1 Key findings

The 232 organisations participating in this study were reasonably representative of geographical distribution of the estimated 1000 ACE providers in Australia. As would be expected in this sector, the majority of the organisations are small businesses, with almost half in this sample having less than $100 000 annual turnover and two-thirds having less than 500 student enrolments. Twelve (5%) had not registered for the GST and 44 (19%) had not obtained Income Tax Exempt Charity status. Eighty nine percent of the organisations had a computerised accounting system and two-thirds a computerised enrolment system in place at the time of the survey. Fifty six percent use cash accounting and 36 percent use accrual accounting for GST purposes. A mean of 40 percent of their courses was deemed to be 'vocational', ranging from 15 percent with all courses reported as vocational to 14 percent with no courses reported as vocational.

Against this background of the ACE providers the study examined the impact of the introduction of the GST. Interestingly, almost half expected no change to their annual turnover, while approximately equal proportions expected the GST either to increase or decrease it. They reported that they applied the GST to a mean of 26 percent of their courses. An important finding was that six out of ten of the ACE organisations were applying little (15%) or no (44%) GST to their courses. The way in which they determined whether to apply the GST was another interesting finding, in that their responses showed criteria for such determination are not in all cases being applied accurately or consistently. The evidence also highlighted that such decisions tend to be often made on the basis of what organisations perceive to be in the interests of their students. Nevertheless, what can be concluded is that 40 percent report using the ACE Ruling and 34 percent their ITEC status as the main criteria for determining whether to apply the GST to their courses.

From figures supplied by the organisations, the annual amount of GST collected overall is the equivalent of $35 292 per ACE organisation (and thus $35.3 million over the 1000 ACE organisations). The equivalent figure for GST collected on courses is $5926 per organisation ($5.9 million over 1000 organisations), while the equivalent figure for input tax credits is $17 252 per organisation ($17.3 million over 1000 organisations). Three quarters of the organisations have opted for a quarterly and one-fifth for a monthly tax period, and claim that the mean time taken to prepare a Business Activity Statement is 6.0 hours for a quarterly and 4.8 hours for a monthly return. Follow-up interviews suggested that the gathering of GST-related information for the BAS takes two to three times that stated time needed to fill in the actual statement. Variations are due often to some organisations using volunteer or untrained staff as distinct from other organisations using paid professional staff or taking their BAS to external accountants. Nevertheless, on the basis of these figures, it is estimated that ACE organisations spend around $772 680 in staff time in preparing BAS, a figure that does not take into account other direct and indirect costs associated with managing the GST.

Other organisational responses directly attributed to the introduction of the GST were that 84 percent changed their accounting systems and 30 percent changed their enrolment systems. The impact of the GST has evidently been much greater on their accounting than their enrolment systems. In both cases, the two predominant changes were GST-related staff training and software upgrading. Other changes instigated as a result of the introduction of the GST included alterations to course descriptions/objectives to

be more vocational (15 percent of organisations), shifts in program mix to be more vocational than leisure (11%), requesting students to bring their own materials (7%) and cutting courses (3%).

By the time of the interviews, one year after the introduction of the GST, 90 percent of the ACE organisations claimed that their accounting systems and 79 percent that their enrolment systems were now coping with GST reporting requirements. What was still required in the instance of those reporting continuing difficulties were better software, more staff training and more time. While most of these organisations judged that they had the capacity in full or in part to resource these needs, still one-quarter of these organisations gauged that they were not in such a position.

Apart from accounting and enrolment systems, 46 percent (n=102) of the ACE organisations reported other problems they were experiencing as a result of the GST implementation. These included impact on time and workload (75 percent of these organisations), impact on cash flow (34%) issues around course classification (14%), reduction in voluntary assistance (10%) and staff turnover (2%).

The passing of time since the GST introduction appears to have been an important factor in the responses of many of these organisations. Just over half reported not having problems with the GST implementation at the time of the survey. And follow-up interviews indicated that, whereas almost half would have judged the impact to have been 'huge' nine months previously, by the time of the interview only one-fifth were giving that verdict and over half were reporting the impact as 'reasonable'. Reasons for this shift in judgement related to familiarity with the GST and that earlier concerns over implementation may have been over-played. Even so, current attitudes towards the GST were strongly against (over half of ACE organisations), with only 7 percent for it and 35 percent expressing a neutral opinion.

5.2 Key themes

In the introduction to this report, it was noted that the small business sectors across various industries within Australia are finding that dealing with the impact of the GST has been difficult on a number of levels. The various reports, surveys and polls, as well as the media, have reported that the GST has contributed to confusion, cash flow problems, increased stress levels, and a diversion of resources from service to administration. The data from this project lead the research team to the conclusion that ACE providers across Australia, particularly the smaller organisations, are facing very similar concerns.

Although some providers appear to be coping well in regard to understanding what is required of them, others are having continuing difficulties. In particular, respondents have talked of the confusion that has surrounded their organisational responses to the GST. The official framework of various interpretations and rulings has made the situation very complex for the ACE sector. Confusion has been a key theme from interviewees when describing their dealings with the Australian Taxation Office and when relaying how both their paid and volunteer staff feel about the GST requirements, about the level of reporting requirements and in general about how they should apply the GST within their organisations. Other examples of the confusion being experienced by providers can be seen in relation to the ways in which they apply GST to courses or decide which courses should attract GST. With few people in their organisations, and often these being volunteers, and with the level of complexity surrounding the options, the high level of uncertainty can easily lead to confusion that in turn can result in inaccurate decisions – in "getting it wrong" – or at least in inconsistent decisions. Perhaps the one-fifth of ACE organisations that have not applied for Income Tax Exempt Charity status should be encouraged to do so!

Concern about the GST is also manifest with cashflow matters. As with other industries where there is a particularly high ratio of small organisations, such concerns are very real within the adult and community education sector. A considerable number of providers in the lower revenue categories have decided on an accrual accounting system – a situation that may be causing them cash flow problems. A significant number of those using cash accounting have also reported cash flow difficulties. Some respondents mentioned that they had stopped some of their fundraising activities simply because they were concerned that they had to pay tax on areas of their activities. Yet at the same time, all providers are dealing with increased costs on their supply front.

The research has found a high level of resentment about the introduction of the GST and the impact it is having upon all personnel within organisations. The majority is against the GST and only a very small

proportion is for it. Providers are especially resentful of the impact the GST is having on their students and on their volunteers. Many are worried that students are carrying an unfair burden of extra costs, whether for course fees or for materials. There are also fears among providers that this added burden on fees and materials will turn students away from future courses. Just over one-fifth of the organisations believe that the annual turnover of their organisation will fall as a result of the GST.

The survey found increased levels of stress among staff and volunteers in the adult and community education sector – a finding similar to those noted in other industries and small business sectors. Volunteers make up a large component of the adult and community education field and providers are concerned about the way in which their volunteer staff are either having to take more responsibility for 'getting it right' or being turned away from volunteering because of fears of not getting it right. The legal ramifications are causing, justifiably, some shying away from responsibility in this area.

An additional, and very obvious, concern voiced by providers is that both paid and unpaid staff are having to spend more time than previously on administration and paperwork, tasks that are directly related to the GST's implementation. It is a state of affairs that translates into both personal and economic costs for individuals and their organisations. As well as being involved in training and explaining about the GST, both paid and unpaid staff are spending extra time on tasks required to fulfil GST reporting requirements. Although more than half the respondents are now able to complete their BAS in less than two hours, nearly a quarter of the sample across the whole revenue range still struggle to complete it in less than a working day.

Adult and community education providers across Australia rely heavily on volunteer services. The research data indicate that the GST has had a very heavy impact upon the volunteers who work within the sector – in this International Year of the Volunteer. Commentary returned time and again to mention of the extra work and the difficulties faced by staff who are having to deal with a system that has reporting and accounting requirements that both frighten and confuse them. With providers dealing with increasing levels of stress among both paid and volunteer staff, it is not surprising that a number of respondents mentioned problems they are encountering when trying to find people who were prepared to take over honorary duties as treasurers or book-keepers.

The providers are also resentful of being, as some graphically expressed it, 'unpaid tax collectors for the government'. This is an especially crucial issue for institutions that are government funded and are perceiving the GST in terms of simply handing back the money. Comments made by respondents about their new tax collection duties were supported by the data regarding the amounts involved in the GST collection. From the figures calculated earlier, it would seem from a cost-benefit analysis viewpoint that the introduction of the GST has been a large imposition on small organisations for little benefit to the government. Given these figures, it is little wonder that the majority of providers viewed their paperwork and administrative responsibilities for this tax as an unnecessary burden.

Another key theme, however, running through the providers' commentary as well as evident in their answers to various set questions, has been that of resignation. Organisational personnel are clearly aware that the GST is here to stay and have decided that they must learn to cope with it in whatever way they can. If this means more staff training, more technological aids or changing the focus of courses, then that is what they will attempt to do if they can find the resources to do it. Although a small number of providers were content merely to suggest the government 'scrap[s] the GST', on the whole, providers are looking for ways and means by which they can learn to live with and account for the GST – whatever that cost may be.

One year down the track from the introduction of the New Tax System, the impact on staff within these ACE organisations, as well as on volunteers and students, has become sharper in focus and respondents have been able to look back into the rear vision mirror with greater clarity than if they had been surveyed soon after its introduction. While this research reveals a certain resignation to the GST by this time and systems changes have now been effected, it is clear that still more than half are against the tax and very few are for it. It is apparent that the GST, with its particular complexity in the adult and community education sector, causes them confusion, concern and resentment over not only financial matters but also the decisions that have to be made often not on grounds of educational expertise or community need but on taxation imperatives. The key question is: do the benefits in collecting the GST outweigh the pains of

collection? From the evidence in this study, both the 'hard' data on organisational finance as well as the 'soft' data on participant comment, suggest that the impact has been considerable on this educational sector, which is predominantly small business and has a vibrant volunteer component within its workforce. Both these sets of data suggest the conclusion that, in accounting for change, the considerable imposition on the ACE sector has resulted in relatively little financial gain to the government.

5.3 Issues and implications

There are many issues and implications arising from this research. The main ones seem to be the following:

- whether a tax system is driving, or should drive, the adult and community education sector (for example, influencing decisions on program mix or course objectives)
- whether ACE providers can continue to offer the same number and mix of courses while having to think constantly about GST requirements
- whether they will have to consider letting go any courses that are non-vocational – which has implications for senior citizen areas and self-help courses that have inherently important community health aspects
- whether providers will still be able to attract the many volunteers who make up the backbone of the majority of community organisations
- whether, in an economically rationalist climate, organisations will be able to continue functioning as they have been, with their capacity to service client needs constrained because their administrative requirements and responsibilities have been extended
- whether providers will need extra funding in order to service those additional administrative requirements, and
- whether providers will continue to attract the number of students who are needed to ensure each provider's viability – if students have to pay more for their courses and materials, they may look to other organisations offering more 'powerful' certification/qualifications.

These issues arising from the research have important implications for the continuing viability of each ACE provider.

5.4 Recommendations

The following recommendations emerge from the processes and findings of this study.

The research team experienced considerable difficulty in obtaining reliable information from most of the States/Territories (there were two exceptions) on which ACE organisations had been funded by their respective governments. As a result, it was not possible to ascertain exactly how many ACE organisations comprised the total population of funded providers, and consequently to draw randomly a proportional sample from each State/Territory with confidence. Accordingly, it is recommended that:

1. **MCEETYA ACE Taskforce consider the possibility of maintaining accurate annual databases of funded ACE organisations.**

There was considerable evidence in this study of a degree of confusion on the part of ACE providers over the implementation of the GST and over the various rulings that have bearing upon the ACE sector. Accordingly, it is recommended that:

2. **Adult Learning Australia investigate means through which additional resources can be provided to assist ACE providers with GST compliance.**

Evidence from this study is that there is a considerable degree of wariness, and some fear, within ACE providers of the workload and especially the legalities involved in maintaining records and holding responsibility for GST operations. This is particularly acute in the smaller organisations (the majority) where the relevant personnel may not be fully au fait with the intricacies of the New Tax System and/or are brought into the organisations as 'lay' and often volunteer treasurers. Accordingly, it is recommended that:

3. **Adult Learning Australia investigate means by which case studies of administrative processes relating to the New Tax System could be developed for maintaining taxation records and preparing Business Activity Statements.**

This study has revealed some interesting information, of a general kind and across a sizeable sample of Australian providers, on issues relating to courses to which GST should be applied, the criteria upon which providers make such decisions and amounts of GST collected and tax input credits regained. The key issue is whether costs of collection (claimed by providers to be considerable in terms of time, paperwork and staff recruitment and training) outweigh amounts actually collected; in short, does it pay? Accordingly, it is recommended that:

4. **Adult Learning Australia investigate means by which further research could be conducted, using an intensive case study methodology, of several ACE providers from different localities and of different sizes to establish more precisely the 'costs' and 'benefits' of the GST.**

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Appendices

Appendix A

Project Research Team

Assoc. Prof. Roger Harris	CREEW (Project Director)
Dr Sue Gelade	CREEW (Principal Researcher)
Deb Mason	CREEW (Research Assistant)

The Centre for Research in Education, Equity and Work (CREEW) is a recognised research centre within the University of South Australia. It aims to exercise a national leadership role in carrying out quality research and development projects at the interface between education and work. The Centre has considerable national expertise in adult and vocational education – in research projects employing both qualitative and quantitative research methodologies, winning national and state research grants, and disseminating findings through a range of means to key audiences. Membership comprises part-time staff of 12 Key Researchers, 13 Associate Researchers, a Centre Administrator, 40 higher degree research students and several research assistants. CREEW has excellent infrastructure support. Its website is at *http://www.unisa.edu.au/creew/*.

Carl Driesener,	MSC (Survey Manager)
Kirsty Willis	MSC (Survey)

Marketing Science Centre (MSC) is based within the University of South Australia. It is an academic research centre conducting research related to the theme of 'marketing as asset management'. It is a unique research and development resource that offers full service market research from offices in Adelaide, Melbourne, Sydney, London and Vancouver. With the MRSA Code of Professional Behaviour, the MSC carries out all projects under the guidelines set out in the Market Research Society of Australia Code of Professional Behaviour. Rules regarding the rights of respondents, the professional responsibility of researchers, and the mutual rights and responsibilities of clients and researchers are documented in this code and adhered to in all projects.

Project Reference Committee

Tony Brown (Chair), Executive Director, Adult Learning Australia Inc., Canberra

Merial Clark, Executive Officer, Association of Neighbourhood Houses and Learning Centres Inc., Melbourne

Ellyn Martin, Human Resources & Programs Manager, Continuing Education Centre, Albury Wodonga (Ellyn was the ACE GST Coordinator with Adult Learning Australia)

Dr John McIntyre, formerly Director of the Research Centre for Vocational Education and Training, University of Technology, Sydney

Sam Thomas, Director, Adult Community Education & Education Access Directorate, Sydney.

Appendix B

Methodology of the study

The project was conducted in a number of stages encompassing preparation, the questionnaire construction, data collection and analysis.

A Project Reference Committee (Appendix A) was established by Adult Learning Australia from the beginning to provide advice to the researchers. One face-to-face meeting was held in Sydney at the start of the project, three teleconferences were conducted during the course of the research, and one further face-to-face meeting in Melbourne after the drafting of the report.

1. Preparation

The key bodies responsible for ACE in each State and Territory across Australia were contacted and asked to provide a database on ACE providers in their State/Territory that received government funding assistance. The bodies were asked to provide information on the names of the organisations and full telephone contact details.

During negotiations with the various State/Territory bodies, it became apparent that considerable variation exists with regard to information on databases of ACE providers. Whereas certain State/Territory bodies not only have full listings of providers and their details, and were able to delineate between funded and unfunded organisations as well as what status they held as education providers, other State/Territory bodies do not hold this information (Borthwick et al. 2001, pp.36–37, detail how differently each State/Territory defines/describes ACE providers, and on pp.52–55, illustrate the diversity in their funding arrangements). Only two States were able to provide the information requested for the research team to be able to build a population of funded ACE providers from which could be taken a random stratified sample. That States/Territories interpret and implement ACE differently has been previously highlighted in other reports (Senate1997, pp.88–100; Volkoff, Golding & Jenkin 1999, p.2; NCVER 2001, pp.22–24).

Given the discrepancies in the databases provided, the research team consulted with members of the Project Reference Committee on their estimates of the number and range of funded providers in each State/Territory. Equipped with this information the research team in consultation with the Reference Committee then refined the databases to bring them into line with advice from the Committee (these figures were the ones used by Adult Learning Australia in its GST education program). While every attempt was made to recognise those providers falling within the parameters set by the Committee, the research team acknowledges the limitations within this section of the research in regard to differences across States/Territories.

Having completed the building of the population databases for each State/Territory, the researchers then randomly extracted a 25 percent sample by selecting every fourth name from each State's/Territory's list. This procedure provided a sample database of 297 names, addresses and telephone contacts. A second "reserve" sample database of another 150 names was extracted using the same methods of tagging from each State's/Territory's list of providers.

2. Construction of telephone interview schedule for the main survey

Taking into consideration key ideas provided in the project's brief from the Project Reference Committee, the research team, in this phase including personnel from the Marketing Science Centre of the University of South Australia (Appendix A), constructed a telephone interview schedule. A total of 36 questions were developed and included (see Appendix C). The questionnaire was piloted with a peak body in Western Australia. The pilot resulted in ambiguous questions being refined and simplified for the main telephone survey.

A mail-out package was sent to the 297 providers in the first sample extraction. The package contained:

- a cover letter from Tony Brown, Executive Director of Adult Learning Australia
- an information sheet on the project that requested providers to gather information prior to the anticipated date of the telephone call (as it was likely that the information that the interviewer would be seeking would lie with more than one person in each provider), and a recommendation that one person in the provider be aware that they would be the interviewee and would therefore need the information 'at their fingertips'
- the list of questions to be asked of each provider

- a fax back sheet that enabled part-time personnel in providers to advise the research team of days when they would be available in their organisation to receive the interviewer's phone call.

Seventeen non-delivered mail-outs were returned to the University, none from SA, Victoria or NSW.

3. Conduct of telephone interview surveys

The Marketing Science Centre began the telephone surveying on 6 June 2001. Within the first week it became obvious discrepancies regarding funding status existed in the sample and that, in order to have sufficient participants for a rigorous analysis, a larger sample was required. (The first question in the interview schedule asked the respondent whether their organisation received government funding for education and training; if the response was 'No', then the interviewer was instructed to thank the respondent for their time and to terminate the interview.) Consequently, the second sample of 150 possible respondents was sent the mail-out packages.

The survey lasted until 20 June 2001. The interviews on average took 11–12 minutes. Of the 447 possible respondents, 232 participated in the survey, a figure representing 52 percent of the listing. It is worth noting here that such a figure represents an unusually high response rate to a telephone marketing survey. Advice from the Marketing Science Centre is that the response rate is normally in the order of 20 percent of a total sample.

In addition to this high response rate, two other indicators lead the research team to infer that ACE providers are keen to discuss issues regarding the impact of the GST on their services. One was that as many as 29 respondents volunteered the time to fax back sheets to the researchers to advise the days they would be available at work to receive the telephone call. The second was that 94 (43%) interviewees affirmed on the last question of the interview that they would be willing to talk more about the impact of the GST on their organisation if they were phoned again.

The research team developed a follow-up interview schedule (see Appendix D) to probe the reasons behind some of the more interesting findings from the main survey. A random sample of 40 people from the list of those willing to be phoned again was selected and 19 (48%) follow-up interviews were completed by one of the CREEW researchers in July 2001.

4. Analysis of data

Data were analysed using Statistical Package for the Social Sciences software. The data on annual turnover and student enrolments were both categorised into the following clusters for analysis.

Annual turnover categories:

- $0–49 999
- $50 000–99 999
- $100 000–249 999
- $250 000–499 999
- $500 000 or more

Student enrolment categories:

- 0–99 students
- 100–499
- 500–2499
- 2500–4999
- 5000 or more

The above categories are used throughout the analyses where cross-tabulations are shown.

The open-ended items in the main survey and the follow-up interview responses were examined by content analysis.

5. Distribution of the sample by State/Territory

The sample of 232 ACE organisations was reasonably representative of the expected distribution (from the Project Reference Committee's estimates) across the States/Territories. Based on these estimates, there was, however, an over-representation of South Australian and NSW organisations and an under-representation of Queensland organisations. This result was as good as could be expected given the uncertainty attached to the lists provided by the States/Territories.

Table B.1: Distributions of actual sample compared with the Project Reference Committee's estimates of numbers of funded ACE organisations in Australia

State/Territory	Reference Committee's estimates of funded ACE organisations	% of total ACE organisations	No.s in actual sample	% in actual sample
ACT	30	3	7	3
NSW	112	11.2	45	19.4
NT	23	2.3	5	2.2
Qld	165	16.5	18	7.8
SA	60	6	31	13.4
Tas	50	5	9	3.9
Vic	500	50	107	46.1
WA	60	6	10	4.3
Totals	**1000**	**100**	**232**	**100**

Appendix C

Telephone interview schedule – main survey

1. Do you receive any government funding for education and training?
2. What was the annual turnover – ie total revenue, of your organisation – either between July 1999–June 2000 from your annual Report, or last complete Financial Year. If calendar year, what is the figure minus GST?
3. Do you expect the introduction of the GST to increase or decrease your annual turnover?
4. What is the approximate total number of student enrolments you took in the year 2000 for all courses?
5. Has your organisation registered for ITEC (Income Tax Exempt Charity) status?
6. Why not?
7. Is GST optional for your organisation?
8. Have you registered anyway?
9. Are you using cash or accrual accounting for GST purposes?
10. What tax periods – monthly or quarterly – have been chosen for your BAS?
11. How many hours on average does it take to prepare your BAS?
12. What percentage of your courses are vocational?
13. What percentage of your courses do you apply GST to?
14. What criteria do you use to determine this?
15. What is the amount of GST you collect in the BAS period July–December 2000 (from your BAS)?
16. How much of that GST was collected on courses July–December from your BAS?
17. What is the dollar value of your input tax credits July–December from your BAS?
18. Is your current accounting system manual or computerised?
19. Has the accounting system changed as a result of the GST?
20. How has it changed? Eg: Purchase of new software, upgrade of software, purchase of new hardware, GST-related staff training, new staff, extra costs.
21. If on a computerised system, does the current accounting software cope with GST reporting needs?
22. If no, above, what would be needed to cope with the GST? Eg: better hardware, better software, more training, scrap the GST, time.
23. What is the capacity of your organisation to resource such changes?
24. Is your current enrolment system manual or computerised?
25. Has the enrolment system changed as a result of the GST?
26. How has it changed? Eg: Purchase of new software, upgrade of software, purchase of new hardware, GST related staff training, new staff, extra costs.
27. If on a computerised system, does the current enrolment software cope with GST reporting needs?
28. What would be needed?
29. What is the capacity of your organisation to resource such changes?
30. What other changes, aside from those to accounting and enrolment have you instigated due to the introduction of the GST? Eg: Cut courses, people bring own materials, change of course objectives, or description, to be more vocational, change the program mix (ie more vocational than leisure courses).
31. Are you experiencing any problems as a result of the GST implementation?
32. What are they?
33. What is your organisation's current attitude towards the GST?
34. Do you have any final comments about the GST and its effect on your organisation?
35. We may be following up some of these interviews. If you were given the opportunity, would you like to talk further about any of the issues raised here?

Appendix D

Telephone interview schedule – follow-up survey

1. How much extra time are volunteers needing to spend with your organisation since (or as a result of) the GST?

2. You said it takes 'X' hrs to do a BAS – does this time include the overall gathering of information, or just filling in the statement?

3. Who funded your training on the GST and who provided it? (eg In-house, or outside organisation such as TAFE or a consultant?)

   What do you estimate is the cost of that training?

4. You upgraded your GST software – can you advise how it was paid for and what the actual cost was?

5. Two-part question:

   A: Would your administration be easier if GST was either applied to all courses, or to none?

   B: How would either of these scenarios impact on course uptake?

   Get more students

   Get less students

   No difference

6. How much impact has the GST had on your organisation?

   Huge

   Reasonable amount

   Not much

   If we'd asked you this question 9 months ago, what would your answer have been then?

   Huge

   Reasonable amount

   Not much

Appendix E-1 Cross-tabulations by metropolitan/regional locality

Do you expect the introduction of the GST to increase or decrease your annual turnover?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Increase	–	–	25	24	33	26	5	25
Decrease	–	–	19	18	32	25	51	22
No effect	1	100	52	51	59	46	112	48
Don't know	–	–	7	7	4	3	11	5
Total	**1**	**100**	**103**	**100**	**128**	**100**	**232**	**100**

Are you using cash or accrual accounting for GST purposes?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Cash accounting	–	–	49	51	75	62	124	56
Accrual accounting	1	100	43	44	34	28	78	36
Don't know	–	–	5	5	13	11	18	8
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**100**

Is your current accounting system manual or computerised?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Manual	–	–	11	1	12	10	23	10
Computerised	1	100	85	88	110	90	196	89
Don't know	–	–	1	1	–	–	1	1
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**100**

Has the accounting system changed as a result of the GST?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Yes	1	100	79	82	104	85	184	83
No	–	–	14	14	16	13	30	14
Don't know	–	–	4	4	2	2	6	3
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**100**

Is your current enrolment system manual or computerised?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Manual	–	–	37	38	37	30	74	34
Computerised	1	100	58	60	84	69	43	65
Don't know	–	–	2	2	1	1	3	1
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**100**

Has the enrolment system changed as a result of the GST?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Yes	–	–	21	22	44	36	65	30
No	1	100	72	74	76	62	149	67
Don't know	–	–	4	4	2	2	6	3
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**100**

Are you experiencing any problems as a result of GST implementation?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Yes	1	100	44	45	57	47	102	46
No	–	–	52	54	63	52	115	52
Don't know	–	–	1	1	2	2	3	1
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**99**

What is your organisation's current attitude towards the GST?

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
Strongly in favour	–	–	2	2	2	2	4	2
In favour	–	–	6	6	6	6	12	5
Neutral	–	–	34	35	42	34	76	35
Against	1	100	28	29	37	30	66	30
Strongly against	–	–	21	22	29	24	50	23
Don't know	–	–	6	6	6	5	12	5
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**100**

Time spent completing BAS

	Missing		Metro		Regional		Total	
	n	%	n	%	n	%	n	%
0–2 Hours	1	100	52	54	68	56	121	55
2.01–5 Hours	–	–	20	21	23	19	43	20
5.01–10 Hours	–	–	12	12	20	16	32	15
>10 Hours	–	–	13	13	11	9	24	11
Total	**1**	**100**	**97**	**100**	**122**	**100**	**220**	**100**

Appendix E-2: Cross-tabulations by annual turnover

Do you expect the introduction of the GST to increase or decrease your annual turnover?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Increase	22	27	6	20	14	29	8	29	8	18	58	25
Decrease	13	16	7	23	11	23	7	25	13	30	51	22
No effect	42	51	14	47	21	44	12	43	23	52	112	48
Don't know	5	6	3	10	2	4	1	3	–	–	11	5
Total	**82**	**100**	**30**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**232**	**100**

Are you using cash or accrual accounting for GST purposes?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Cash	34	47	20	74	35	73	19	68	16	36	124	56
Accrual	25	34	6	22	12	25	8	29	27	61	78	36
Don't know	14	19	1	4	1	2	1	3	1	2	18	8
Total	**73**	**100**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**99**	**220**	**100**

Is your current accounting system manual or computerised?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Manual	14	19	3	11	5	10	1	4	–	–	23	11
Computerised	58	80	24	89	43	90	27	96	44	100	196	88.5
Don't know	1	1	–	–	–	–	–	–	–	–	1	0.5
Total	**73**	**100**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**100**

Has the accounting system changed as a result of the GST?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Yes	52	71	25	93	44	92	23	82	40	91	184	84
No	16	22	2	7	4	8	5	18	3	7	30	14
Don't know	5	7	–	–	–	–	–	–	1	2	6	2
Total	**73**	**100**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**100**

Is your current enrolment system manual or computerised?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Manual	36	49	7	26	14	29	6	21	11	25	74	34
Computerised	36	49	18	67	34	71	22	79	33	75	143	65
Don't know	1	1	2	7	–	–	–	–	–	–	3	1
Total	**73**	**99**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**100**

Has the enrolment system changed as a result of the GST?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Yes	13	18	9	33	12	25	9	32	22	50	65	30
No	57	78	16	59	36	75	19	68	21	48	149	68
Don't know	3	4	2	7	–	–	–	–	1	2	6	3
Total	**73**	**100**	**27**	**99**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**100**

Are you experiencing any problems as a result of the GST implementation?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Yes	36	49	15	56	21	44	12	43	18	41	102	46
No	35	48	12	44	26	54	16	57	26	59	115	52
Don't know	3	2	–	–	1	2	–	–	–	–	3	1
Total	**73**	**100**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**99**

What is your organisation's current attitude towards the GST?

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
Strongly in favour	3	4	–	–	–	–	1	4	–	–	4	2
In favour	2	3	1	4	4	8	2	7	3	7	12	5
Neutral	24	33	8	30	13	27	12	43	19	43	76	35
Against	24	33	8	30	15	31	8	29	11	25	66	30
Strongly against	12	16	9	33	14	29	5	18	10	23	50	23
Don't know	8	11	1	4	2	4	–	–	1	2	12	5
Total	**73**	**100**	**27**	**100**	**48**	**100**	**28**	**100**	**44**	**100**	**220**	**100**

Time spent completing BAS

	Revenue categories ($000)										Total	
	0–49.9		50–99.9		100–249.9		250–499.9		500+			
	n	%	n	%	n	%	n	%	n	%	N	%
0–2 hours	45	62	14	52	24	50	13	46	25	57	121	55
2.01–5 hours	13	18	6	22	8	17	8	29	8	18	43	20
5.01–10 hours	8	11	6	22	9	19	5	18	4	9	32	15
>10 hours	7	10	1	4	7	15	2	7	7	16	24	11
Total	**73**	**101**	**27**	**100**	**48**	**101**	**28**	**100**	**44**	**100**	**220**	**101**

Appendix E-3: Cross-tabulations by State/Territory

Do you expect the introduction of the GST to increase or decrease your annual turnover?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Increase	1	14	8	18	1	20	6	33	5	16	4	44	32	30	1	10	58	25
Decrease	1	14	20	44	1	20	5	28	2	6	1	11	20	19	1	10	51	22
No effect	5	71	17	38	3	60	6	33	21	68	3	33	51	48	6	60	112	48
Don't know	–	–	–	–	–	–	1	6	3	10	1	11	4	4	2	20	11	5
Total	**7**	**100**	**45**	**100**	**5**	**100**	**18**	**100**	**31**	**100**	**9**	**100**	**107**	**100**	**10**	**100**	**232**	**100**

Are you using cash or accrual accounting for GST purposes?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Cash	2	29	31	72	1	20	4	22	15	60	4	50	65	61	2	29	124	56
Accrual	5	72	12	28	4	80	10	56	8	32	2	25	34	32	3	43	78	35
Don't know	–	–	–	–	–	–	4	22	2	8	2	25	8	7	2	29	18	8
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**232**	**100**

Is your current accounting system manual or computerised?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Manual	–	–	1	2	1	20	2	11	7	28	1	13	11	10	–	–	23	10
Computerised	7	100	42	98	4	80	15	83	18	72	7	88	96	90	7	100	196	89
Don't know	–	–	–	–	–	–	1	6	–	–	–	–	–	–	–	–	1	.5
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**220**	**100**

Has the accounting system changed as a result of the GST?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Yes	6	86	38	88	2	40	12	67	17	68	7	87	97	91	5	71	184	84
No	–	–	5	12	3	60	4	22	7	28	1	13	9	8	1	14	30	14
Don't know	1	14	–	–	–	–	2	11	1	4	–	–	1	1	1	14	6	2
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**220**	**100**

Is your current enrolment system manual or computerised?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Manual	6	86	9	21	–	–	7	39	9	36	7	88	33	31	3	43	74	34
Computerised	1	14	34	79	5	100	9	50	16	64	1	12	74	69	3	43	143	65
Don't know	–	–	–	–	–	–	2	11	–	–	–	–	–	–	1	14	3	1
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**220**	**100**

Has the enrolment system changed as a result of the GST?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Yes	2	29	27	63	–	–	3	17	1	4	2	25	29	27	1	14	65	29
No	5	71	16	37	5	100	13	72	23	92	6	75	77	72	4	57	149	68
Don't know	–	–	–	–	–	–	2	11	1	4	–	–	1	1	2	29	6	3
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**220**	**100**

Are you experiencing any problems as a result of the GST implementation?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Yes	4	57	18	42	1	20	5	28	11	44	4	50	57	53	22	9	102	46
No	3	43	25	58	4	80	12	67	14	56	4	50	49	46	4	57	115	53
Don't know	–	–	–	–	–	–	1	5	–	–	–	–	1	1	1	14	3	1
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**220**	**100**

What is your organisation's current attitude towards the GST?

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
Strongly in favour	1	14	1	2	–	–	–	–	–	–	–	–	2	2	–	–	4	2
In favour	1	14	1	2	2	40	4	22	–	–	–	–	3	3	1	14	12	5
Neutral	1	14	10	23	2	40	5	28	9	36	2	25	44	41	3	43	76	35
Against	2	29	12	28	1	20	5	28	10	40	4	50	30	28	2	29	66	30
Strongly against	2	29	17	40	–	–	3	16	4	16	2	25	22	21	–	–	50	23
Don't know	–	–	2	5	–	–	1	6	2	8	–	–	6	6	1	14	12	5
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**220**	**100**

Time spent completing BAS

	ACT		NSW		NT		QLD		SA		TAS		VIC		WA		Total	
	n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%	N	%
0–2 hours	2	29	24	56	4	80	10	56	18	72	2	25	55	51	6	86	121	55
2.01–5 hours	3	43	8	19	–	–	3	17	3	12	2	25	23	22	1	14	43	20
5.01–10 hours	–	–	9	21	1	20	2	11	3	12	1	12	16	15	–	–	32	14
>10 hours	2	28	2	5	–	–	3	17	1	4	3	38	13	12	–	–	24	11
Total	**7**	**100**	**43**	**100**	**5**	**100**	**18**	**100**	**25**	**100**	**8**	**100**	**107**	**100**	**7**	**100**	**220**	**100**

Appendix F: Other cross-tabulations that show statistical significance

F-1

Do you expect the introduction of the GST to increase or decrease you annual turnover? * Are you using cash or accrual accounting for GST purposes? Cross-tabulation

	Cash			Accrual			Don't know			Total		
	Qty	%	% accounting method	Qty	%	% accounting method	Qty	%	% accounting method	Qty	%	% accounting method
Increase	39	31.45	69.64	16	20.51	28.57	1	5.56	1.79	56	25.45	100
Decrease	25	20.16	51.02	22	28.21	44.90	2	11.11	4.08	49	22.27	100
No effect	55	44.35	52.38	38	48.72	36.19	12	66.67	11.43	105	47.73	100
Don't know	5	4.03	50.00	2	2.56	20.00	3	16.67	30.00	10	4.55	100
Total	124	100.00		78	100.00		18	100.00		220	100.00	

Pearson correlation = .190**, significance (2-tailed) = .005, N=220

F-2

Do you expect the introduction of the GST to increase or decrease you annual turnover? * Has the accounting system changed as a result of the GST? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no
Increase	52	28.26	92.86	3	10.00	5.36	1	16.67	1.79	56	25.45	100
Decrease	40	21.74	81.63	9	30.00	18.37	0	0.00	0.00	49	22.27	100
No effect	87	47.28	82.86	15	50.00	14.29	3	50.00	2.86	105	47.73	100
Don't know	5	2.72	50.00	3	10.00	30.00	2	33.33	20.00	10	4.55	100
Total	184	100.00		30	100.00		6	100.00		220	100.00	

Pearson correlation = .185**, significance (2-tailed) = .006, N=220

F-3

Do you expect the introduction of the GST to increase or decrease you annual turnover? * Are you experiencing any problems as a result of the GST? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no
Increase	31	30.39	55.36	25	21.74	44.64	0	0.00	0.00	56	25.45	100
Decrease	25	24.51	51.02	24	20.87	48.98	0	0.00	0.00	105	47.73	100
No effect	40	39.22	38.10	64	55.65	60.95	1	33.33	0.95	105	4.55	100
Don't know	6	5.88	60.00	2	1.74	20.00	2	66.67	20.00	10	4.55	100
Total	102	100.00		115	100.00		3	100.00		220	100.00	

Pearson correlation = .145*, significance (2-tailed) = .032, N=220

F-4

Are you using cash or accrual accounting for GST purposes? * Is your current system manual or computerised? Cross-tabulation

	Manual			Computerised			Don't know			Total		
	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system
Cash accounting	17	73.91	13.71	107	54.59	86.29	0	0.00	0.00	124	56.36	100
Accrual accounting		521.74	6.41	73	37.24	93.59	0	0.00	0.00	78	35.45	100
Don't know (do not read)	1	4.35	5.56	16	8.16	88.89	1	100.00	5.56	18	8.18	100
Total	23	100.00		196	100.00		1	100.00		220	100.00	

Pearson correlation = .144*, significance (2-tailed) = .033, N=220

F-5

Are you using cash or accrual accounting for GST purposes? * Has the accounting system changed as a result of the GST? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system
Cash accounting	109	59.24	87.9	13	43.33	10.48	2	33.33	1.61	124	56.36	100
Accrual accounting	64	34.78	82.05	13	43.33	16.67	1	16.67	1.28	78	35.45	100
Don't know (do not read)	11	5.98	61.11	4	13.33	22.22	3	50.00	16.67	18	8.18	100
Total	184	100.00		30	100.00		6	100.00		220	100.00	

Pearson correlation = .205**, significance (2-tailed) = .002, N=220

F-6

Are you using cash or accrual accounting for GST purposes? * Are you experiencing any problems as a result of GST implementation? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no
Cash accounting	64	62.75	51.61	59	51.30	47.58	1	33.33	0.81	124	56.36	100
Accrual accounting	32	31.37	41.03	45	39.13	57.69	1	33.33	1.28	78	35.45	100
Don't know	6	5.88	33.33	11	9.57	61.11	1	33.33	5.56	18	8.18	100
Total	102	100.00		115	100.00		3	100.00		220	100.00	

Pearson correlation = .139*, significance (2-tailed) = .040, N=220

F-7

Is your current accounting system manual or computerised? * Has the accounting system changed as a result of the GST? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system
Maual	13	7.07	56.52	9	30.00	39.13	1	16.67	4.35	23	10.45	100
Computerised	171	92.93	87.24	21	70.00	10.71	4	66.67	2.04	196	89.09	100
Don't know (do not read)	0	0.00	0.00	0	0.00	0.00	1	16.67	100	1	.45	100
Total	184	100.00		30	100.00		6	100.00		220	100.00	

Pearson correlation = -.152*, significance (2-tailed) = .025, N=220

F-8

Is your current accounting system manual or computerised? * Is your current enrolment system manual or computerised? Cross-tabulation

	Maual			Computerised			Don't know			Total		
	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system	Qty	%	% accounting system
Manual	12	16.22	52.17	11	7.69	47.83	0	0.00	0.00	23	10.45	100
Computerised	62	83.78	31.63	132	92.31	67.35	2	66.67	1.02	196	89.09	100
Don't know (do not read)	0	0.00	0.00	0	0.00	0.00	1	33.33	100.00	1	0.45	100
Total	74	100.00		143	100.00		3	100.00		220	100.00	100

Pearson correlation = -.172*, significance (2-tailed) = .011, N=220

F-9

Has the accounting system changed as a result of the GST? * Has the enrolment system changed as a result of the GST? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	% enrol system change	% account system change	Qty	% enrol system change	% account system change	Qty	% enrol system change	% account system change	Qty	% enrol system change	% account system change
Yes	60	92.31	32.61	119	79.87	64.67	5	83.33	2.72	184	83.64	100
No	5	7.69	16.67	25	16.78	83.33	0	0.00	0.00	30	13.64	100
Don't know (do not read)	0	0.00	0.00	5	3.36	83.33	1	16.67	16.67	6	2.73	100
Total	65	100.00	29.55	149	100.00	67.73	6	100.00	2.73	220	100.00	100.00

Pearson correlation = .164*, significance (2-tailed) = .015, N = 220

F-10

Is your current enrolment system manual or computerised? * Has the enrolment system changed as a result of the GST? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no
Manual	9	13.85	12.16	64	42.95	86.49	1	16.67	1.35	74	33.64	100
Computerised	56	86.15	39.16	85	57.05	59.44	2	33.33	1.40	143	65.00	100
Don't know	0	0.00	0.00	0	0.00	0.00	3	50.00	100.00	3	1.36	100
Total	65	100.00		149	100.00		6	100.00		220	100.00	

Pearson correlation = -.147*, significance (2-tailed) = .029, N = 220

F-11

Has the enrolment system changed as a result of the GST? * Are you a metropolitan or regional provider? Cross-tabulation

	Metro			Regional			Total		
	Qty	%	% yes/no	Qty	%	% yes/no	Qty	%	% yes/no
Yes	21	21.65	32.31	44	36.07	67.69	65	29.55	100
No	73	75.26	48.99	76	62.30	51.01	149	67.73	100
Don't know	4	4.12	66.67	2	1.64	33.33	6	2.73	100
Total	97	100.00		122	100.00		220	100.00	

Pearson correlation = -.167*, significance (2-tailed) = .013, N = 219

F-12

What is your organisation's current attitude towards the GST? * Are you experiencing any problems as a result of GST implementation? Cross-tabulation

	Yes			No			Don't know			Total		
	Qty	% problem yes/no	% attitude	Qty	% problem yes/no	% attitude	Qty	% problem yes/no	% attitude	Qty	% problem yes/no	% attitude
Strongly in favour	1	0.98	25.00	3	2.61	75.00	0	0.00	0.00	4	1.82	100
In favour	2	1.96	16.67	10	8.70	83.33	0	0.00	0.00	12	5.45	100
Neutral	25	24.51	32.89	50	43.48	65.79	1	33.33	1.32	76	34.55	100
Against	40	39.22	60.61	5	21.74	37.88	1	33.33	1.52	66	30.00	100
Strongly against	30	29.41	60.00	20	17.39	40.00	0	0.00	0.00	50	22.73	100
Don't know (do not read)	4	3.92	33.33	7	6.09	58.33	1	33.33	8.33	12	5.45	100
Total	102	100.00		115	100.00		3	100.00		220	100.00	

Pearson correlation = -.179**, significance (2-tailed) = .008, N = 220

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